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ABSTRACT

Designed to broaden community college practitioners' awareness of the needs of business and related opportunities for cooperation, this book describes the training needs of large and small business of all types; discusses the opportunities for two-year colleges to assist businesses in satisfying those needs; and highlights the major interests of business and industry in the site selection process for expansions or relocations. Following introductory sections by Dale Parnell, Jack A. MacAllister, and Tony Zeiss, the following 14 chapters are presented: (1) "Roles of Community, Technical, and Junior Colleges: Positive Image Opportunity," by Tony Zeiss; (2) "Roles of Community, Technical, and Junior Colleges: Customized Training," by Cary Israel; (3) "Business Needs Survey Responses," by Tony Zeiss; (4) "Surviving the Tough Times," by James A. Smith; (5) "Developing a Small Business: Watersmith, Inc.," by Autie McVicker; (6) "Developing a Small Business: Little Chemical Company," by Jeanne Witbeck; (7) "Developing a Small Business: Overcoming the Risk Factors," by David A. King and Donald E. Kelly; (8) "Expanding a Business through Successful Employee Selection," by Jerry W. Moorman and R. B. Ruethain; (9) "Expanding a Business: Oceanarium Products and Design and Hunter Douglas, Inc.," by Mike Burns, Sue Secord, Mel G. Cozzens, and David Braman; (10) "Effective Expansion through Reduced Turnover of Employees," by Mitzi G. Cardenas and Jim Quintero; (11) "Site Selection Survey Responses," by Tony Zeiss; (12) "Selecting a Site," by Robert M. Ady; (13) "Industrial Recruitment Myths and Pitfalls," by Rolf Anderson; and (14) "Parting Conclusions," by Tony Zeiss. (ECC)

ED 366 374

Economic Development:

A Viewpoint From Business

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TONY ZEISS, Editor

JC 940 094

KEEPING AMERICA WORKING SERIES/NO. 6

ECONOMIC DEVELOPMENT: A VIEWPOINT FROM BUSINESS

TONY ZEISS
EDITOR

IN COOPERATION WITH THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES AND THE ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES
WASHINGTON, D.C.
KEEPING AMERICA WORKING/NO. 6

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FOREWORD

Over the last nine years, the American Association of Community and Junior Colleges and the Association of Community College Trustees have joined forces to promote the development of partnerships between colleges and employers. It has been the primary purpose of this effort to connect the resources of community, technical, and junior colleges with those of the economic development forces in their various communities.

The broad focus of this collaborative effort has been to "Keep America Working," as the nation has struggled with worker dislocation and structural unemployment of major proportions. Many of our colleges, reflecting the tight bonding between their mission and their communities, already had been deeply involved with efforts to help employers and employees alike; however, in the early 1980s there were few colleges that fully appreciated the symbiotic relationship that could exist between the college and the employer community.

It was the potential constructive value of this partnership that fired the imagination of both AACJC and ACCT. With this in mind, a joint task force of public, commercial, labor, college, and trustee leadership was formed to fashion and guide a strategy to stimulate college/employer partnerships. Funding was sought in order to sustain what was expected to be a major campaign involving multiple years. The two associations were fortunate in securing the generous support of the Sears-Roebuck Foundation. Other organizations such as the Tennessee Valley Authority, IBM, HBJ Media Systems, and John Wiley and Sons, Inc., shared the vision that community, technical, and junior colleges could and should play a key role in helping America develop a world-class work force.

The enormity and importance of this task revealed itself in stages. The American economy has been challenged by internal and external forces. The nation has suddenly discovered that it is deeply involved in an international market and international competition for economic parity. The outcome was and still is a matter of conjecture. What is clear is that the economic powers of the Pacific Rim and the specter of a united European economy have fundamentally altered the nature of the international economic playing field. American products, services, and labor are being judged against the prices and quality of our international competitors. It has become clear that a productive, well-educated work force holds much of the key to successfully competing in the new competitive world market.

America faces this challenge with internal circumstances that constitute substantial obstacles in and of themselves. The impact and pace of technological change has provided equal portions of opportunity and upheaval. Technology has enhanced the quality of life in general, and the quality of the workplace in particular. Yet these technological gifts come

with such speed and complexity as to have altered the mental prerequisites of workers across the board. It's not just that the manufacturing world has been pressed by products having a shelf life of less than a year. The fact of the matter is that few American workers will escape the impact and learning challenges of broad technological changes—changes as simple as the introduction of a new telephone system and changes as substantial as the introduction of computers to automobiles. In fact, the technological revolution is demanding increased levels of basic education and a regimen of continuous education/training as a requisite of continued employment.

The twin challenge to the technological revolution is the impending labor crisis. Simply stated, America is getting ready to pay the full price for years of low birth rates. We will have a significant shortfall in workers to match jobs. Worse, there will be an even more significant skills mismatch between employees and the available jobs. By the year 2000, new job entrants will represent only 16 percent of the work force (down from 34 percent in 1986). With experts stating that most new jobs will require about two years of education beyond a high school diploma, and urban drop-out rates hovering around 50 percent, it doesn't take a wizard to appreciate our national dilemma.

It is these converging forces that led AACJC and ACCT to adopt such a strong action plan for supporting community college/employer partnerships. In pursuit of that objective, many activities were implemented, not the least of which was a major promotional effort using all of the considerable tools for publishing and holding conventions that lay at the disposal of the two associations. One key ingredient was the ability to publish relevant monographs to rivet attention to certain areas. A whole series of "Keeping America Working" books has been used to slowly raise the profile of the college/employer partnership subject.

The last book in the series dealt with the functional development of a college center for business/industry and labor activities. That book, *Doing Business with Business*, was a cookbook on college/employer relations. This latest offering, a collection of articles written by economic development officers and business leaders, brings full attention to the economic point of view. We think this book is an important complement to the previous work.

Special thanks for this book goes to the editor, President Tony Zeiss, Pueblo Community College, for his vision in bringing this idea to fruition. Additional thanks goes to the Sears-Roebuck Foundation for its funding support of this and several other publications in the series. It is fair to say that Sears fully understood the challenge of the future and the role of community colleges in that challenge. The Sears-Roebuck Foundation provided the lion's share of the funding that made most of the "Keeping America Working" effort a reality.

—Dale Parnell
President, American Association of Community and Junior Colleges

PREFACE

The United States is being challenged in its position in the global economy. It will take vision, innovation, partnership, and tenacity to remain an effective competitor in the international marketplace.

American businesses must lead that effort, reposition themselves as strong competitors, and begin to produce the volume of business needed to reduce the national debt.

The American work ethic has made us famous. We can capitalize on that strength to help pull ourselves up. We find that America's work ethic is alive and well in America's community, technical, and junior colleges—organizations well-positioned to work with business and industry in our renewed quest for excellence.

I've been trying to encourage education and business to work together for wins all around. At every level of education, business/education partnerships can help restore America's competitive edge. An effort to get more children into quality pre-schools will result in more self-confident, better-educated high schoolers—more who will stay in school, get jobs, and ease the strain on our social systems. An effort today to interest high school students in science will begin to replenish our pool of inventors and creators who have made us great.

There are dozens of ways the business community can lend expertise and dollars to the educational system. The purpose of this monograph is to examine ways industry and community, technical, and junior colleges can work together in this vital effort.

Economic Development: A Viewpoint from Business epitomizes the type of cooperative spirit we need between education and American business. You'll read perspectives from both business and education leaders. This monograph provides the latest practical research into the needs of business and industry, information with which every forward-looking educator must be familiar; and it provides perspectives that CEOs, business leaders, college advisers, school counselors, and economic development professionals should understand. In short, it pulls together in one book the various viewpoints and data needed for business and higher education to work together in any community in the country.

—Jack A. MacAllister
Chairman of the Board and Chief Executive Officer
U S WEST, Inc.

INTRODUCTION

The development of a vibrant and healthy economy is perhaps the most important social issue affecting all Americans and provides the greatest opportunity for positive public visibility for community, technical, and junior colleges. Our country's community, technical, and junior colleges are uniquely positioned to spearhead community-based economic development initiatives for both the small and large business sectors. Further, involvement in this highly visible arena by two-year colleges may be the single best method for establishing the national respect and recognition that these colleges hope to achieve. Indeed, many two-year colleges throughout the country have been making valuable and well recognized contributions in the economic development arena. However, many more of the 1,250 community, technical, and junior colleges need to get involved in this vital area of service.

The 1988 Keeping America Working publication, *Doing Business with Business,* will undoubtedly be used by colleges in establishing and refining college-based economic development services. To date, however, no publication on the issue has been prepared from the viewpoint of business. It is the purpose of this monograph to describe the needs of large and small businesses of all types; the opportunities for two-year colleges to assist businesses in satisfying those needs; and the major interests of business and industry in the site selection process for expansions or relocations.

This book presents the current needs of businesses and industry and the interests of site selectors in two ways: descriptive research gathered via two nationally-based surveys; and first-hand reports by representative business and industry leaders from locations across the country, including a chapter from the president of the world's largest site selection consulting firm. Although this book is intended primarily to broaden two-year colleges' awareness of the needs of business and the opportunities therein, it is expected that a variety of other public and private agencies and entities will find this information to be quite useful.

—Tony Zeiss
President, Pueblo Community College

SECTION A

BUSINESS AND THE COMMUNITY COLLEGE

I

ROLES OF COMMUNITY, TECHNICAL, AND JUNIOR COLLEGES: POSITIVE IMAGE OPPORTUNITY

By Tony Zeiss

Probably no single facet of our society affects the well-being of our communities and our country as does the economy. The state of our economy is reflected directly by our response to its needs. Even in the best of times, the economy requires nurturing, refueling, and constant monitoring. History indicates that the best nurturing comes from local communities and individual businesses as opposed to governments or legislative bodies. Indeed, governmental regulations typically impede rather than enhance business and the free market. In the worst of times, the tremendous need for revitalization provides greater opportunities for those colleges that are aggressive, foresighted, and proactive. Given the accessibility and proactive nature of community colleges, it seems quite appropriate for them to be actively involved in local economic development activities.

Fortunately, we are living in a time when business and industry understand the need for a well-trained and easily educable labor force. Businesses and industries in the United States are aware of the *Workforce 2000* demographic predictions, and they are acutely informed about the challenges of competing on a global scale with an even smaller and more diverse work force. There is a fundamental and natural connection between community colleges and their local economy. As uniquely community-based institutions, these colleges have a responsibility to work with local business and industry, just as they have the responsibility to train and educate college-credit students on campus. This natural linkage between community colleges and the world of work should be capitalized upon as a major avenue for achieving mutual benefits for the college and its service area businesses. The business community will benefit from the various support services provided by the colleges, and the colleges will gain a powerful position in the public's mind as a respected and integral part of society.

POSITIVE IMAGE OPPORTUNITY

This linkage with business could be the vehicle that erases the identity problem of community, technical, and junior colleges that has so long

endured. Unfortunately, the community colleges were not widely established in this country until late in the development of American higher education. The public mind-set had already grouped higher education institutions into neat categories including four-year colleges, universities, and to a lesser degree, trade and apprentice schools. Certainly community colleges have contributed much to the vitality and economic health of our nation, but the average citizen all too often thinks of these colleges as simple "vocational schools," "non-credit schools," or as "step-sisters" to the university. By examining their frame of reference, focusing on a target market, and promoting a point of difference, community colleges can easily become recognized as a vital part of their communities, states, and nation. Specifically, community colleges should take advantage of this opportunity to help business and industry while helping themselves by developing a vendor-of-services attitude, focusing on economic development via human development, and promoting their unique ability to support business and industry in a responsive and responsible manner.

The time is ripe for community colleges to get deeply involved in the economic development activities of their service areas. Business and industry leaders know it, and governmental officials at the highest levels are publicly recognizing the value of these colleges' services. Three governors recently lauded community colleges and their contributions to economic development at the 1989 American Association of Community and Junior Colleges (AACJC) Convention. Virginia Governor Gerald L. Baliles suggested that "never has the need for such institutions been more justifiable." He further stated that community colleges were "a large part of the answer" of how the nation will meet the demands for worker retraining and education for the disadvantaged, minority, and non-traditional populations for the twenty-first century. North Carolina Governor James Martin described community colleges as "the single most important economic development asset" in his state. South Carolina Governor Carroll Campbell, Jr. stated that "education and economic development are inextricably linked," and he praised two-year colleges for their efforts in worker retraining and in new job development. President George Bush, in a major AACJC Convention address, lauded community colleges as "the largest system of higher education in America" and as vital players in our nation's economy. Clearly, the community, technical, and junior colleges in this country are best suited to get directly involved in the development of their local service area economies.

RECOMMENDED ECONOMIC DEVELOPMENT SERVICES

As with most endeavors, there are no clear-cut answers or panaceas in the economic development environment. However, the timely and responsive nature of community colleges has been recognized as a valuable resource by business and industry. Each business within each com-

munity has its own needs, and it is the responsibility of the local community college to determine these needs and provide the necessary services while continuing to serve college-credit students as its primary mission. By leveraging their assets of customized technical training, customized assessments, quick response capability, and small business knowledge, community colleges can take advantage of an exciting opportunity to excel and be broadly recognized for their role. The benefits of student growth, increased resources, and community respect will be well-deserved by colleges who embrace this new role in economic development.

Obviously there is a risk involved for colleges that become aggressively involved in local economic development activities. Failure in this highly visible arena could cause long-term image damage. To avoid getting involved in the economic development arena, however, could be equally damaging. Many community colleges have already been successful with business development, worker retraining, and similar economic-related services. Many other colleges are just beginning to recognize their role in this environment and are eager to get involved. Much literature has been written about model small business development centers, customized training activities, and general college-business linkages. The following list of recommended activities attempts to outline services that have proven to be highly successful and highly desirable by business and by communities. Of course, our immediate implementation of all listed services would probably result in mediocrity or complete failure. Some strategic planning, driven by current concerns and business needs, should take place to create an obvious priority of services.

The following list of recommended services should be considered by every community college that hopes to become more integrated with business and industry:

A. Small Business Development Center
   1. Help entrepreneurs start businesses
   2. Provide import-export training
   3. Provide public-private procurement services
   4. Assist existing small businesses
   5. Provide general business, sales, and marketing training
   6. Provide business-related research

B. Customized Assessment
   1. Provide validated occupational analysis
   2. Provide customized screening and evaluation
   3. Provide basic skills evaluation
   4. Provide industry-specific basic skills assessment

C. Employee Retention Initiative
   1. Provide customized assessment and screening
   2. Provide industry-specific research

3. Provide employee retention strategies
4. Provide management analysis and training

D. Customized Training
1. Provide job analysis profiling
2. Provide curriculum development
3. Provide instructional analysis
4. Provide customized delivery systems

E. Support Services
1. Provide credit and non-credit courses
2. Provide a business information center
3. Provide new program development
4. Provide free-enterprise training
5. Provide on-site training
6. Work with labor for positive results

F. Industrial Recruitment
1. Serve on recruitment teams
2. Provide customized recruitment tours and presentations
3. Serve on boards and commissions
4. Develop pro-business reputation

Essentially, there are only two methods for creating new primary jobs in any community—grow them or recruit them. Retaining existing jobs is equally important. In all these areas—growing, recruiting, and retaining jobs—the community college can play a vital role. Activities related to growing jobs include small business development centers and general support services. Activities related to recruiting new jobs include customized assessments, employee retention initiatives, customized training, and industrial recruitment. Community colleges can assist with the retention of jobs through all six of the basic economic development-related activities. Certainly the community college should also take an active role in securing funding where possible to be able to lessen the financial burden for the businesses and industries it serves. One final word to the colleges who seize the opportunity to become involved in economic development—publicize your results and flaunt your successes!

Tony Zeiss is president of Pueblo Community College, Pueblo, Colorado.

II

ROLES OF COMMUNITY, TECHNICAL, AND JUNIOR COLLEGES: CUSTOMIZED TRAINING

By Cary Israel

Community colleges across the nation are playing key roles in attracting new businesses, developing and maintaining small business support systems, training new workers, assisting in retraining and upgrading existing employees, and working in international markets. Why is this approach needed? During recent years, external economic forces have brought sweeping changes to our society. Technology and service delivery seem to be driving all the world economies and literally offering unparalleled opportunities for the continuous creation of new wealth and an upscaled quality of life. However, it is critical that employers train and use their human resources fully and effectively to take advantage of the benefits that technology has to offer.

Many segments of the United States' industrial base are in a period of rapid and pervasive restructuring. Some industries have failed to adopt advancing technology and will necessarily decline or lose out to the more competitive domestic and international companies. Others will automate and grow, or they will fragment into many niche markets served most effectively by totally new quality systems. In this environment specialized technical training for specific jobs is the new competitive arena—whether it is for a small or large business. Community colleges must offer responsive training programs for businesses to be productive and competitive.

Clearly, customized training is essential if we are to insure a productive work force in the United States. Consider the following from the U.S. Department of Commerce:

- About 90 percent of all scientific knowledge has been generated in the last 30 years, a major proportion of it in the United States.
- The knowledge pool will double again by the end of the century, rapidly compressing life cycles of products and processes to less than five to 10 years.

Community colleges must provide training assistance to industry during this period of rapid and pervasive restructuring. In fact, economic development and retraining initiatives must be part of our mission if we are truly serving community needs. Our task is especially challenging in light of the diverse training we do for the fields of space, biotechnology, manufacturing, insurance, health care, and retail.

Community college training staff will experience special satisfaction in helping business and industry meet their new challenges. Additionally, community colleges rely on tax dollars to meet their mission of quality education. If businesses are leaving, downsizing, or failing, our mission is at risk—certainly the breadth of our activities must be curtailed if revenue sources are drying up. Thus, there is a symbiotic relationship between the health of the community and the health of the community college.

Community college training practitioners are in the forefront of addressing the needs of a changing work force. We must continue to meet the challenges if we are going to have a vibrant and healthy community.

A highly skilled and motivated labor force is an important strategy used by domestic and foreign manufacturers to obtain and maintain high levels of productivity and product quality. Employees must be continually educated on new technical systems and new operating philosophies and procedures. The successful business must have the ability to adapt and change with the environment. To accomplish this goal, the business community must have access to information, training, resources, and services. The local community college can be the linchpin to business success. Community colleges can:

- deliver the specialized training that employees need when industries upgrade their technologies
- develop specific customized training programs/materials
- assist in the assessment, screening, and application process for all new employees
- help in the relocation, expansion, or consolidation efforts of a company
- provide support services and training proposals to lure new business and industry
- provide resources and systems necessary to reduce business failure.

Cary Israel is president of Front Range Community College, which has a main campus in Westminster, Colorado, and an extension center in Fort Collins, Colorado. Israel has been very active in economic development for many years in both Iowa and Colorado.

SECTION B

BUSINESS AND INDUSTRY NEEDS AND INTERESTS

III

BUSINESS NEEDS SURVEY RESPONSES

By Tony Zeiss

The economic health of a people is the single most important denominator of a nation's success and desirability. History has demonstrated that a nation's economic prosperity is determined by the ability of its business and industry to compete in a free market. This ability to compete is determined largely by governmental restrictions, ingenuity, relationships with other nations, and the support systems provided to the business. As business prospers, so does the country. With a knowledge of current American business needs, community colleges and other business support entities will be better prepared to assist in the economic prosperity of their local communities and of our nation as a whole.

Fortunately, the American public understands the importance of tying education to the workplace. Indeed, it has almost become fashionable to flaunt the practical nature of education and training as opposed to recent past diatribes about the intrinsic value of the academics. In any event it is clear that community, technical, and junior colleges are best positioned to support business and industry. To best support business it is equally clear that colleges and related entities must understand current business needs.

PURPOSE

The purpose of this chapter is to present a detailed description of the current primary needs and interests of this country's businesses and industries. Information of this nature is sketchy at best and is most likely tied to a specific type of industry or business. In an effort to establish a comprehensive picture of American business needs, a descriptive research study was designed and implemented during the winter of 1988–1989.

Community college officials, as well as any agency or municipality interested in helping businesses or industries, can use the results of this study to focus their business support strategies. Of course all business support activities should be localized and company-specific. However, the results of this comprehensive review of current business needs is valuable as a base knowledge for colleges and other support entities.

METHOD OF RESEARCH

To collect the current needs and interests of American businesses and industries, a survey was distributed to a variety of business types through-

out the country. The survey instrument was designed from related literature on the subject and from direct input from managers of businesses. The survey instrument was validated by an editing process using an advisory committee. This committee included eight business and industry managers and a small business consultant. The survey instrument (see Exhibit A, page 53) required 29 needs and interests responses plus four responses regarding specific demographic data about the respondent's company. Each respondent, usually the chief executive officer or designee, answered each question by indicating whether the item was "much needed," "needed," "not applicable," or "not needed."

The companies surveyed were selected according to type, size, geographic location, years in operation, and type of ownership. A concerted attempt was made to survey businesses and industries that represent a valid cross-section of different needs and interests nationwide. Twenty community college presidents representing 13 states distributed five to 10 surveys to chief executive officers or owners of a variety of businesses of different sizes and ownership types. A total of 130 surveys were distributed. The data collected from the surveys were tabulated for each survey item by the aggregate of the respondents and by detailed categorical responses according to business type, size, and other demographic data.

FINDINGS

Of the 130 mailed surveys, 100 were returned, representing an excellent response rate of 77 percent. This relatively small sample provides a snapshot view of the current needs and interests of business and industry by a variety of categories. It should be noted that all research has inherent limitations, and the reader should be aware that the findings and conclusions of this research are no exception. First, the time of descriptive studies is a critical factor to be considered when interpreting the data. Secondly, the size of the population surveyed, as compared to the total number of possible respondents, relates to the validity of the data. It is believed that the data collected by this study are valid and will remain useful for the next several years as a baseline of needs by American businesses and industries. Certainly each business or industry will be unique, and the discerning economic development or business support entity will seek to identify this uniqueness before providing services.

In an effort to present the collected data in an easily interpreted manner, each survey item or question is presented twice: first in the aggregate by three primary business categories and then in comparative fashion so the reader can best determine the differences in topical items among the various business types. The following business types were surveyed:

RETAIL
SERVICE

WHOLESALE
MANUFACTURING
CONSTRUCTION
OTHER

To facilitate interpretation the data were tabulated and presented according to only three basic business categories:

MANUFACTURING
SALES & SERVICE
OTHER

The manufacturing category includes businesses that develop, produce, or assemble marketable products, excluding farms and ranches. The sales and service category includes all retail, service, and wholesale businesses. The "other" category includes construction and all other businesses that were not primarily manufacturing, sales, or retail in nature. Forty-two of the 100 responses were from the manufacturing category, 47 were from the sales category, and 11 were from the "other" category.

The following six tables represent the aggregate of the total responses by each of the three business categories. It should be noted that these tables present the broad view of business and industry needs and that they address only the collective responses that were in the "much needed" and "needed" response columns. Responses presented in the open response or "other" topics of concern were insignificant.

TABLE I

Business Needs Survey Results–Much Needed & Needed
Responses to Questions #1 through #15
For Manufacturing

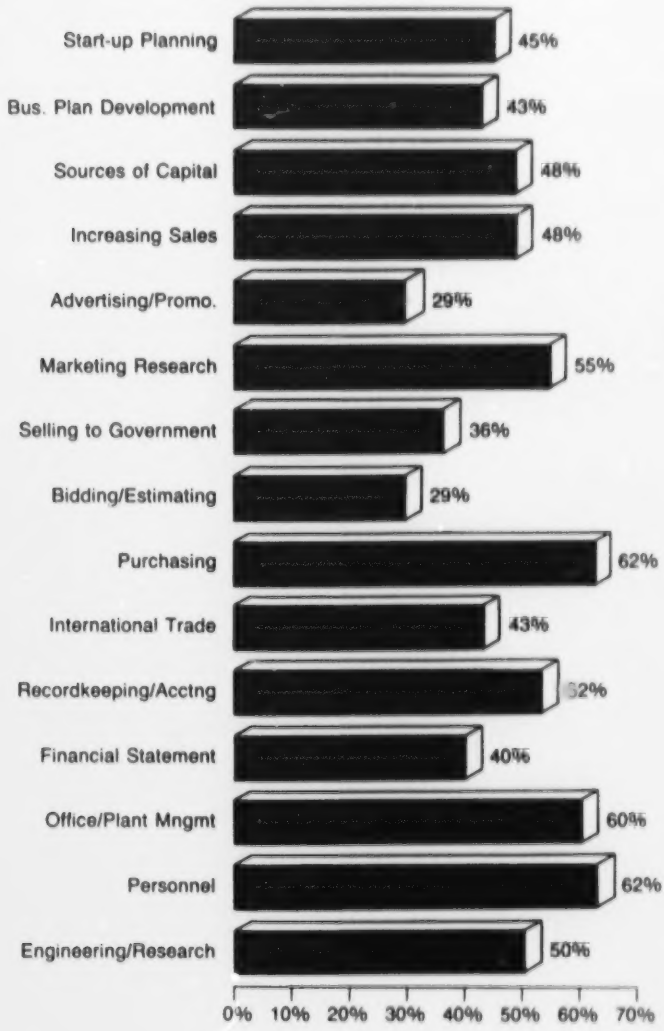


TABLE II

Business Needs Survey Results–Much Needed & Needed Responses to Questions #16 through #29 For Manufacturing

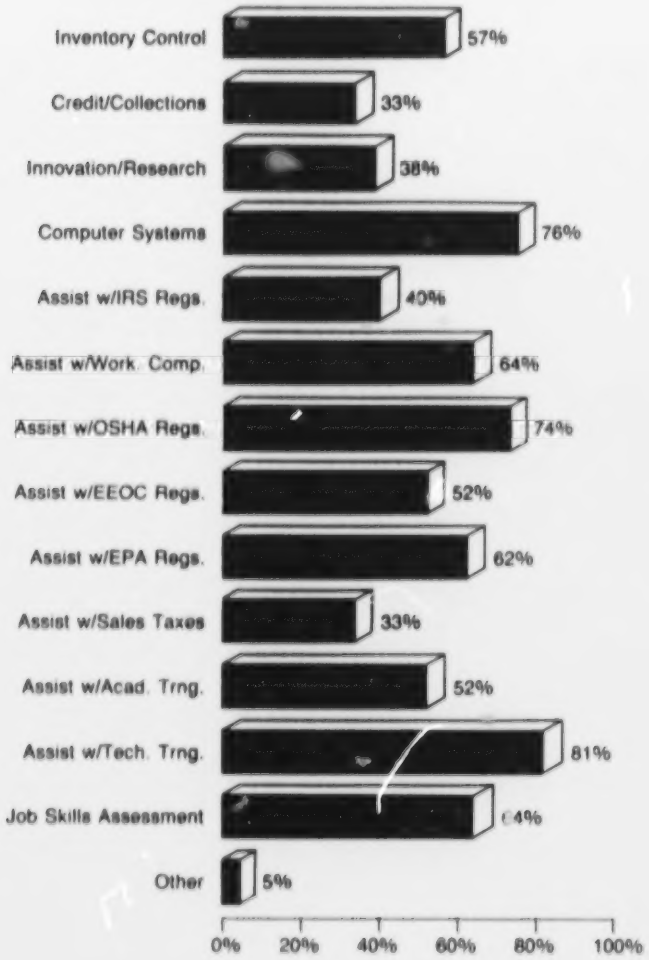


TABLE III

Business Needs Survey Results–Much Needed & Needed
Responses to Questions #1 through #15
For Sales & Service

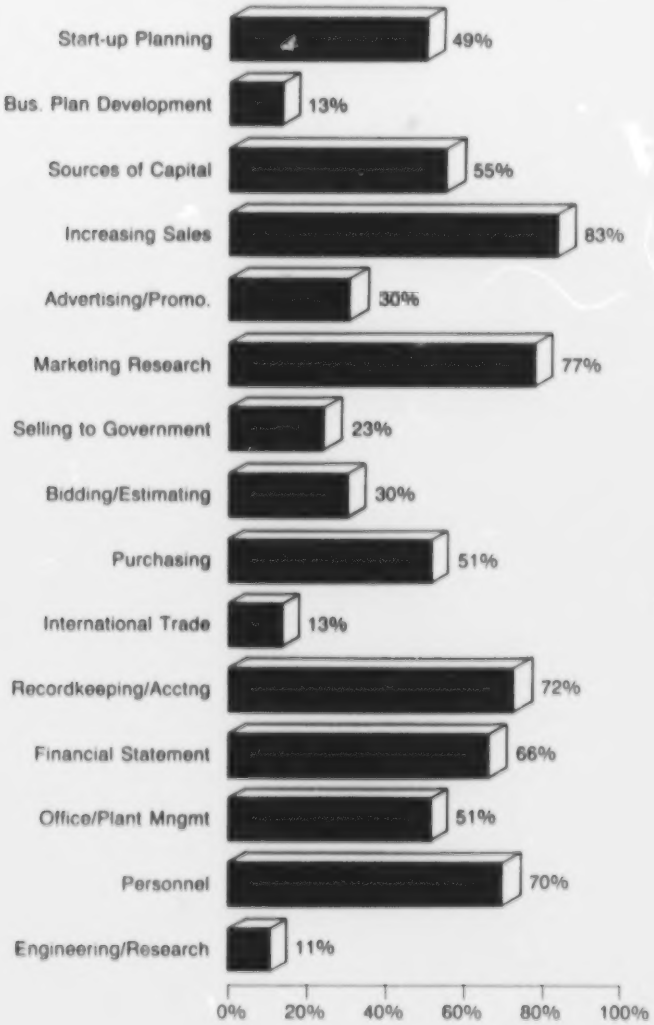


TABLE IV

Business Needs Survey Results–Much Needed & Needed
Responses to Questions #16 through #29
For Sales & Service

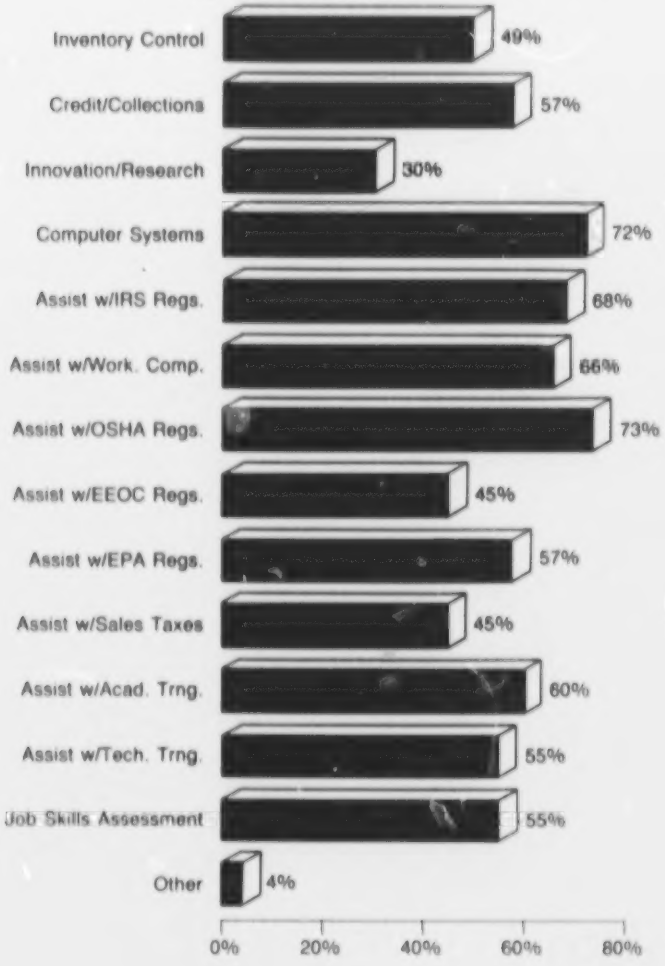


TABLE V

Business Needs Survey Results–Much Needed & Needed
Responses to Questions #1 through #15
For Other Business Types

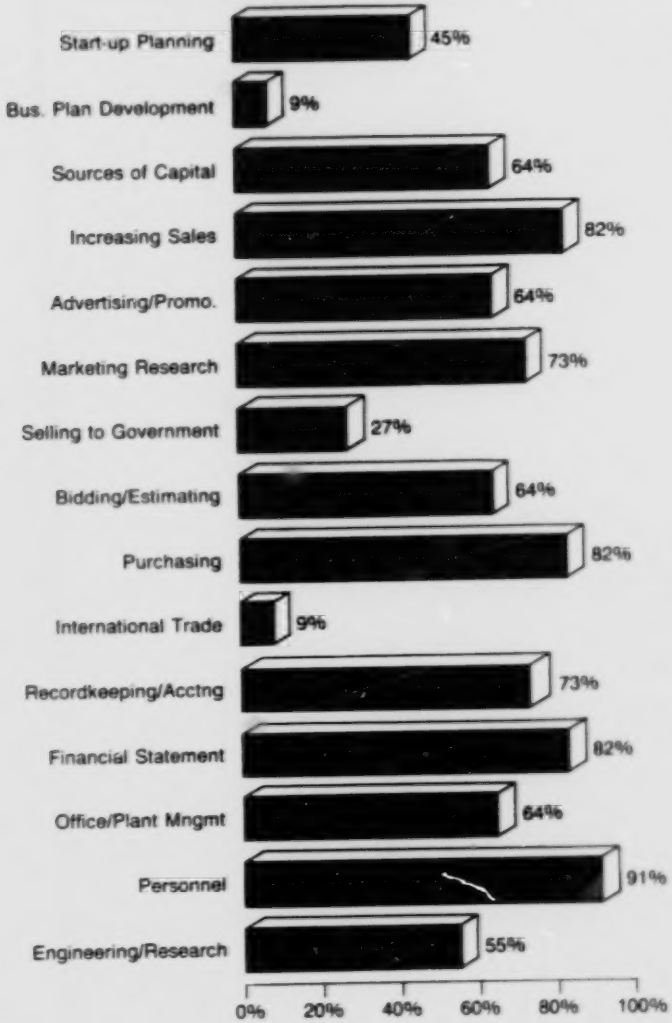
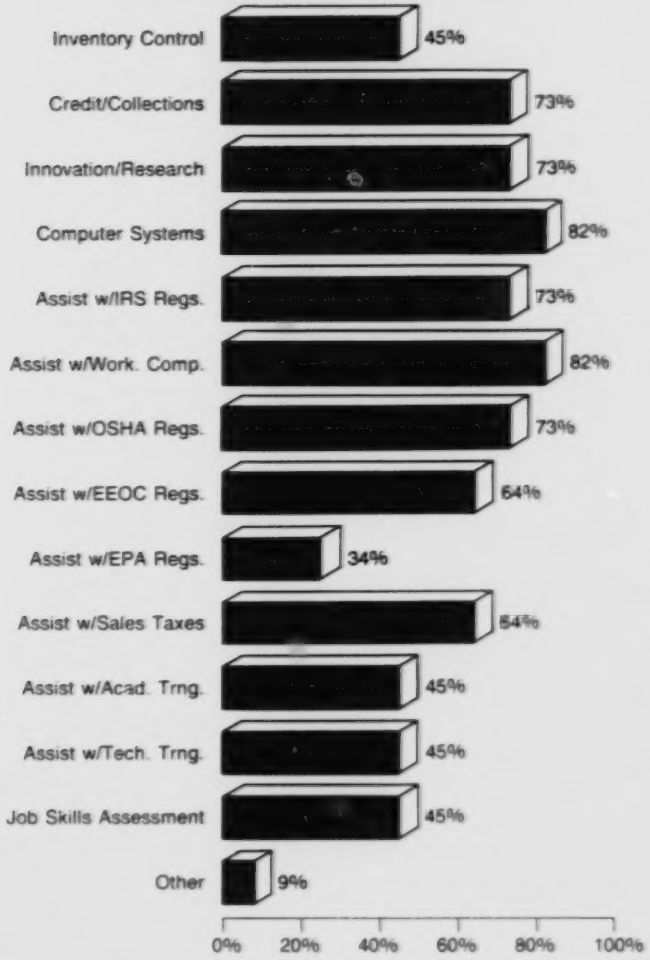


TABLE VI

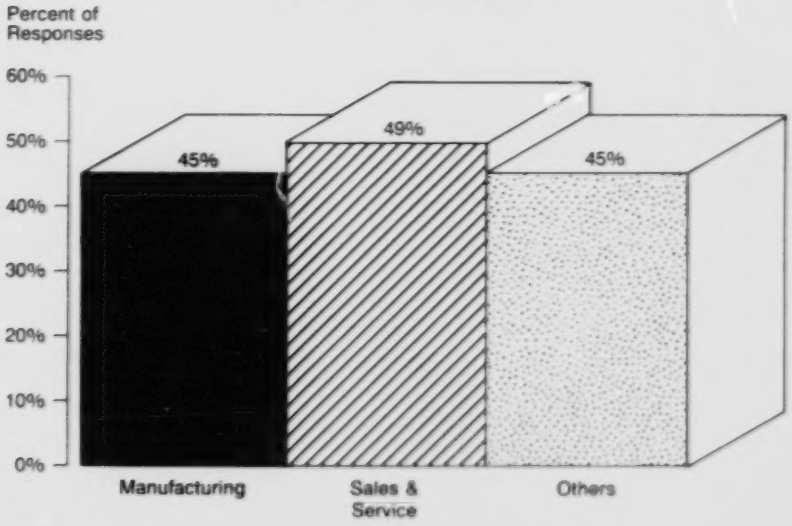
Business Needs Survey Results–Much Needed & Needed
Responses to Questions #16 through #29
For Other Business Types



Tables VII through XXXV present the responses to each survey topic in terms of its importance to each of the three primary business types in a comparative fashion. Again, the charts represent only the percentage of responses by each business category that were in the "much needed" or "needed" response columns.

TABLE VII

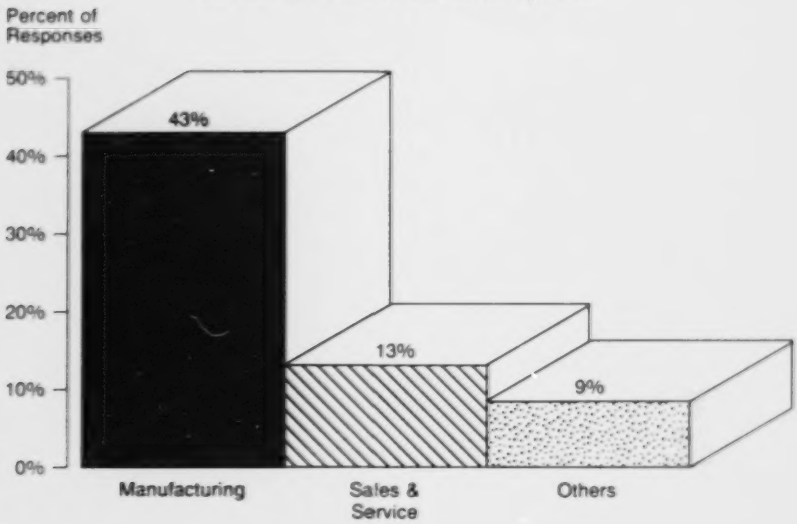
Business Needs Survey
TOPIC: Start-up Planning



Much Needed & Needed Responses by Business Type

TABLE VIII

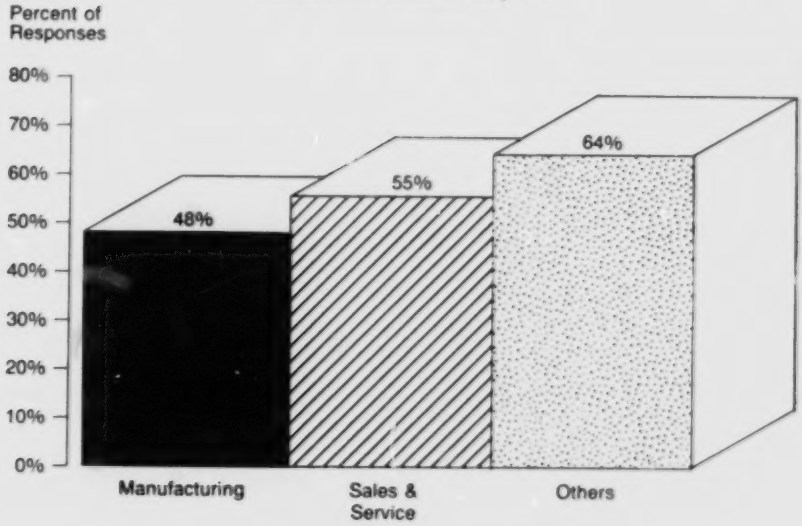
Business Needs Survey
TOPIC: Business Plan Development



Much Needed & Needed
Responses by Business Type

TABLE IX

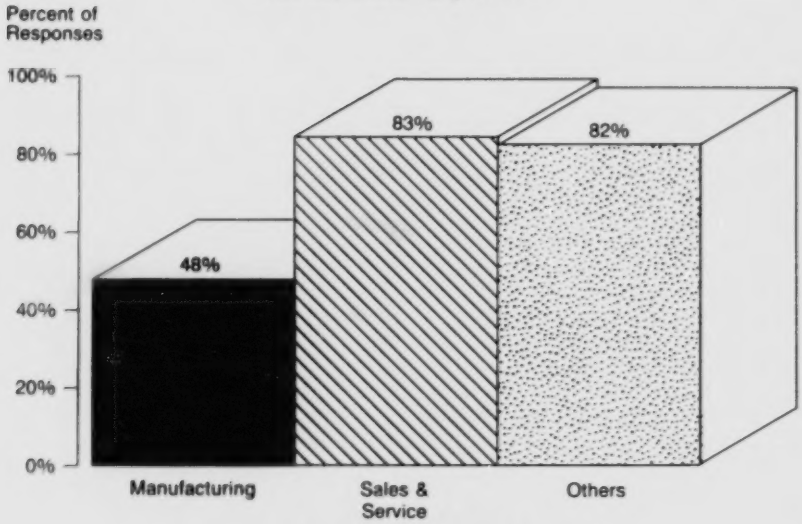
Business Needs Survey
TOPIC: Sources of Capital



Much Needed & Needed
Responses by Business Type

TABLE X

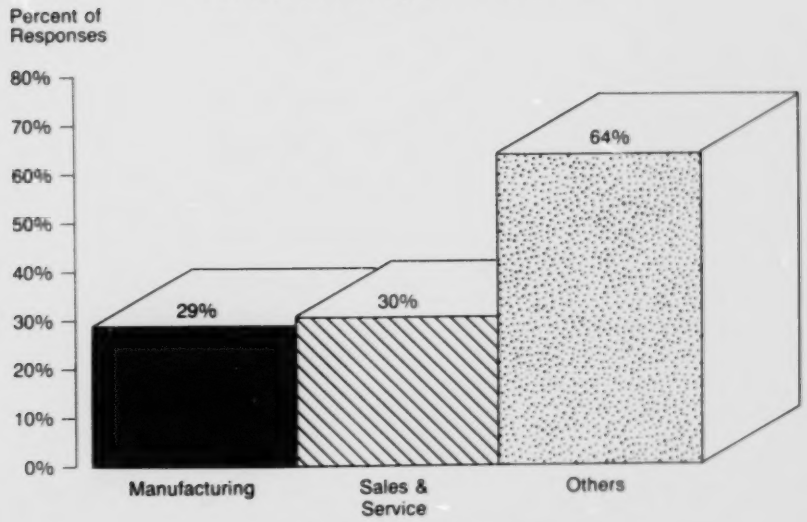
Business Needs Survey
TOPIC: Increasing Sales



Much Needed & Needed
Responses by Business Type

TABLE XI

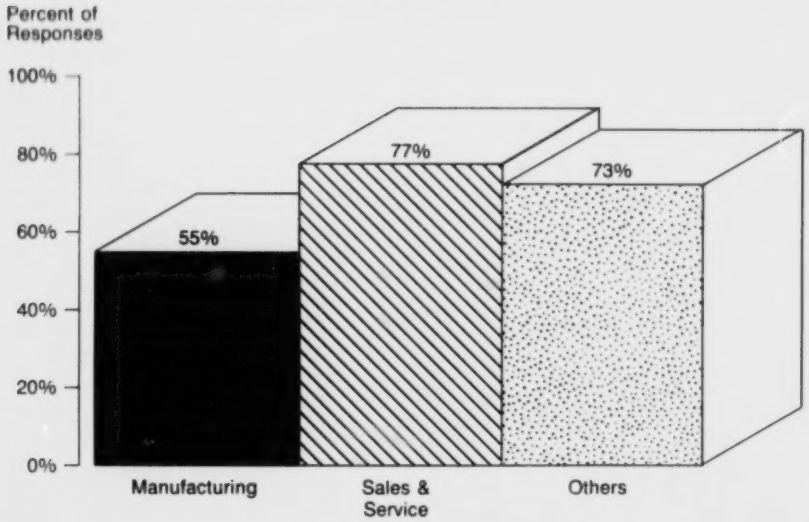
Business Needs Survey
TOPIC: Advertising/Sales Promotion



Much Needed & Needed Responses by Business Type

TABLE XII

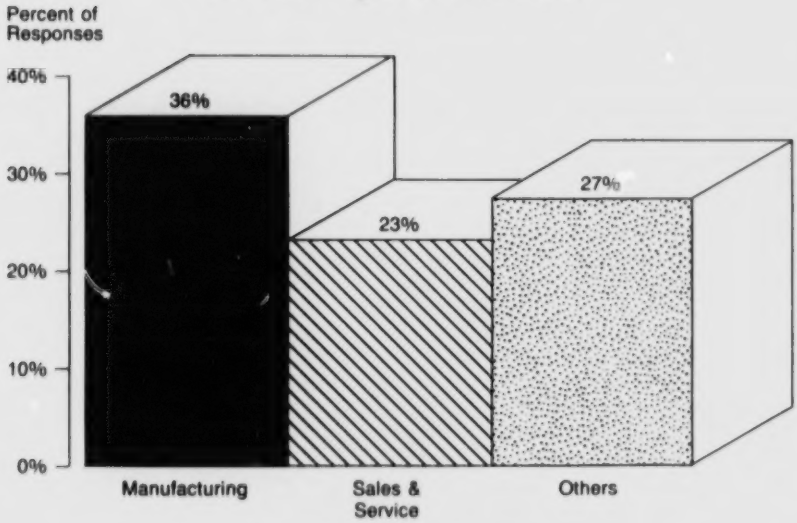
Business Needs Survey
TOPIC: Market Research



Much Needed & Needed
Responses by Business Type

TABLE XIII

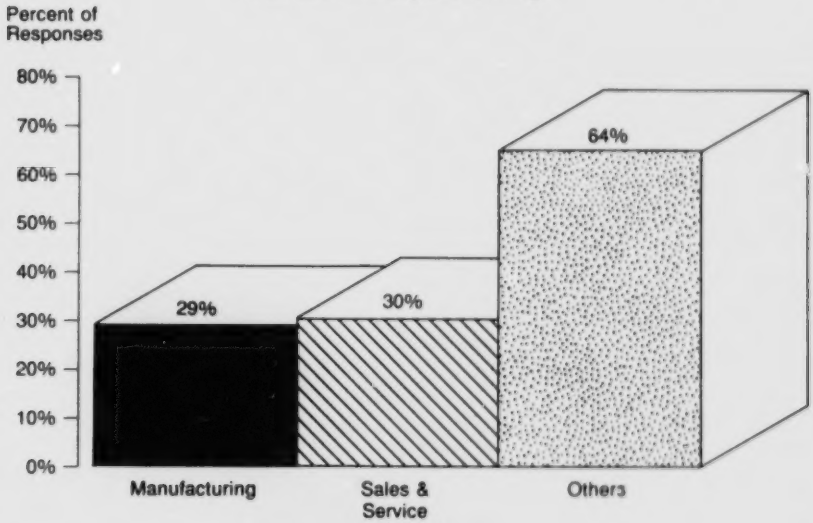
Business Needs Survey
TOPIC: Selling to the Government



Much Needed & Needed
Responses by Business Type

TABLE XIV

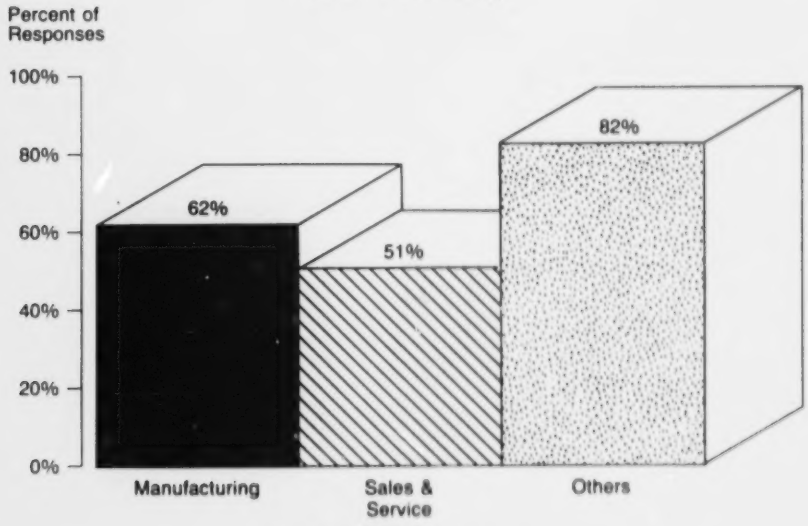
Business Needs Survey
TOPIC: Bidding/Estimating



Much Needed & Needed
Responses by Business Type

TABLE XV

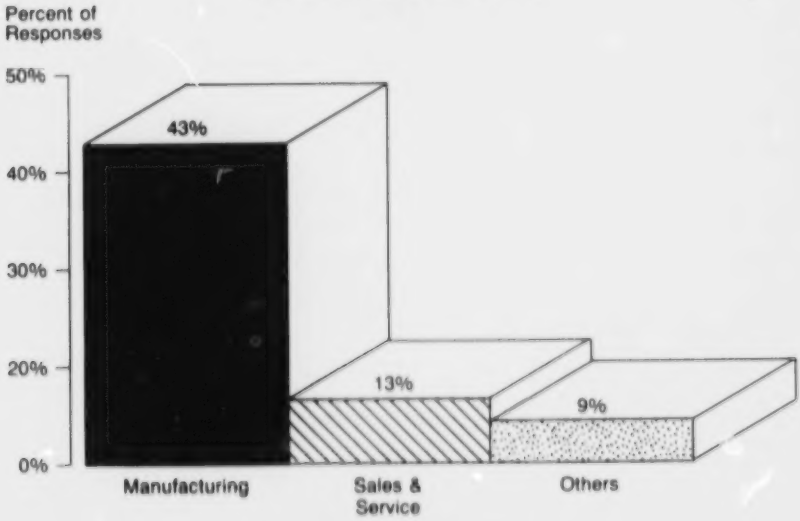
Business Needs Survey
TOPIC: Purchasing



Much Needed & Needed
Responses by Business Type

TABLE XVI

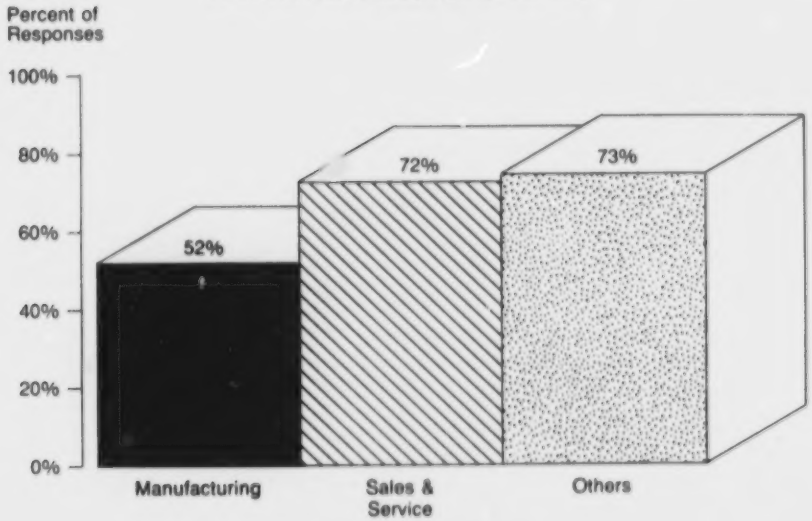
Business Needs Survey
TOPIC: International Trade



Much Needed & Needed
Responses by Business Type

TABLE XVII

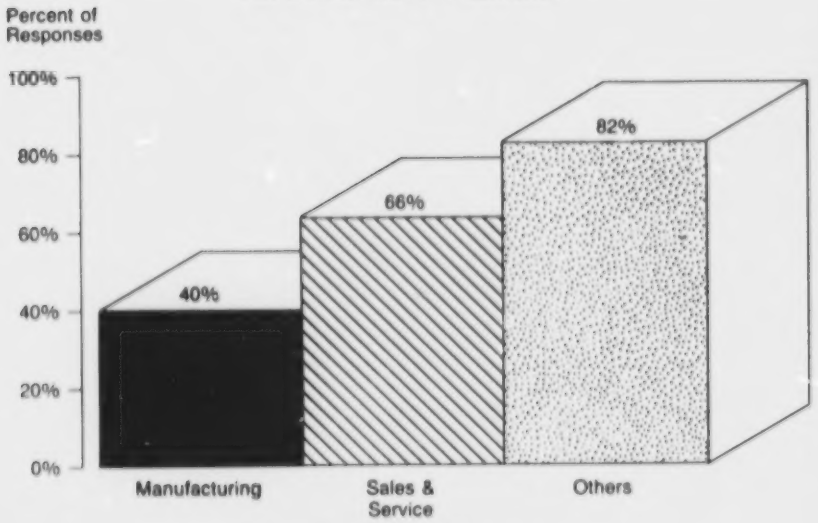
Business Needs Survey
TOPIC: Recordkeeping/Accounting



Much Needed & Needed
Responses by Business Type

TABLE XVIII

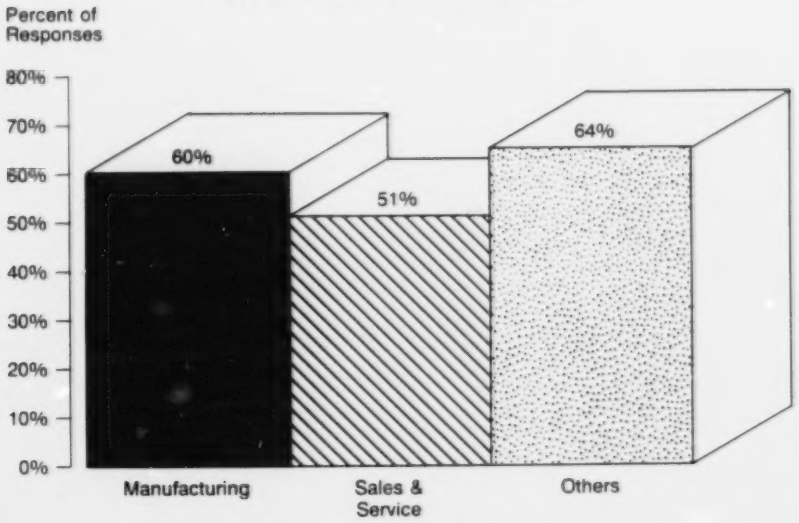
Business Needs Survey
TOPIC: Financial Statements



Much Needed & Needed
Responses by Business Type

TABLE XIX

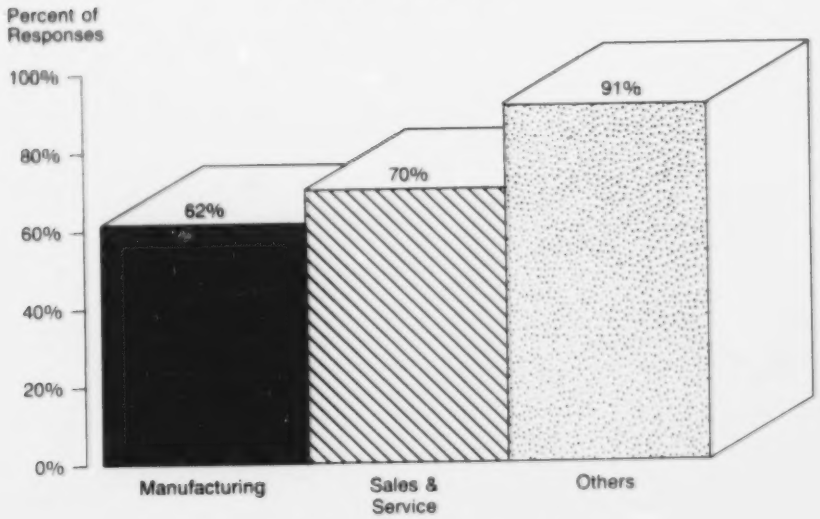
Business Needs Survey
TOPIC: Office/Plant Management



Much Needed & Needed
Responses by Business Type

TABLE XX

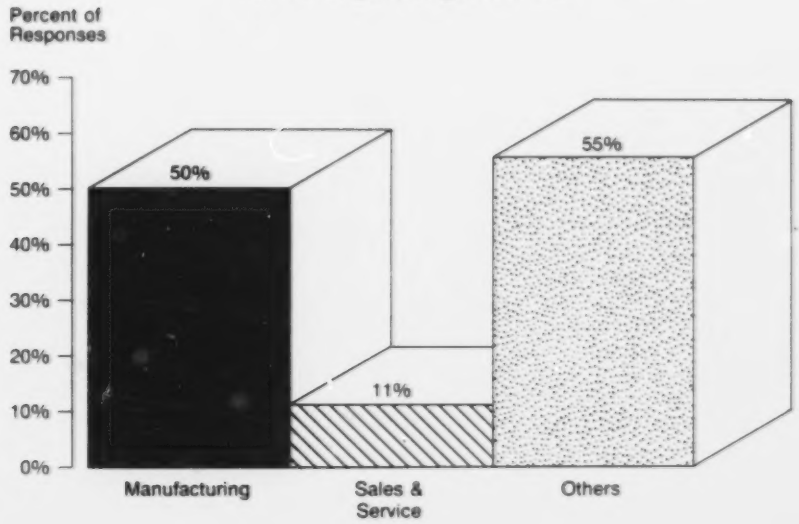
Business Needs Survey
TOPIC: Personnel



Much Needed & Needed
Responses by Business Type

TABLE XXI

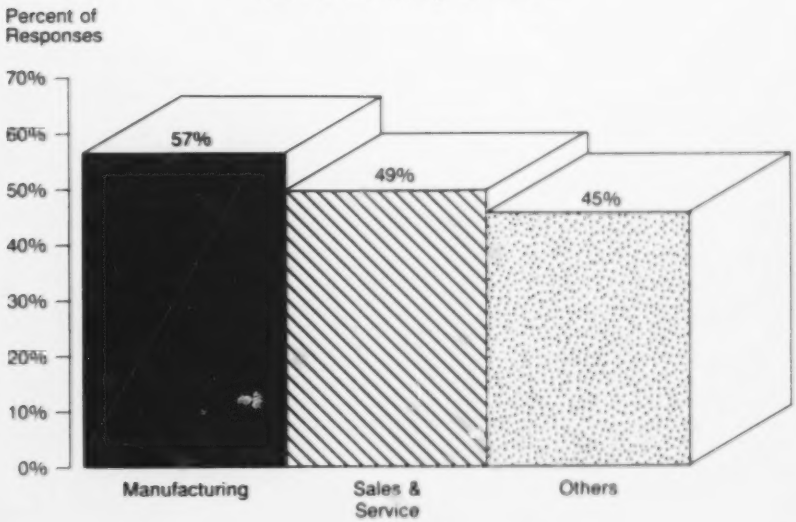
Business Needs Survey
TOPIC: Engineering/Research



Much Needed & Needed
Responses by Business Type

TABLE XXII

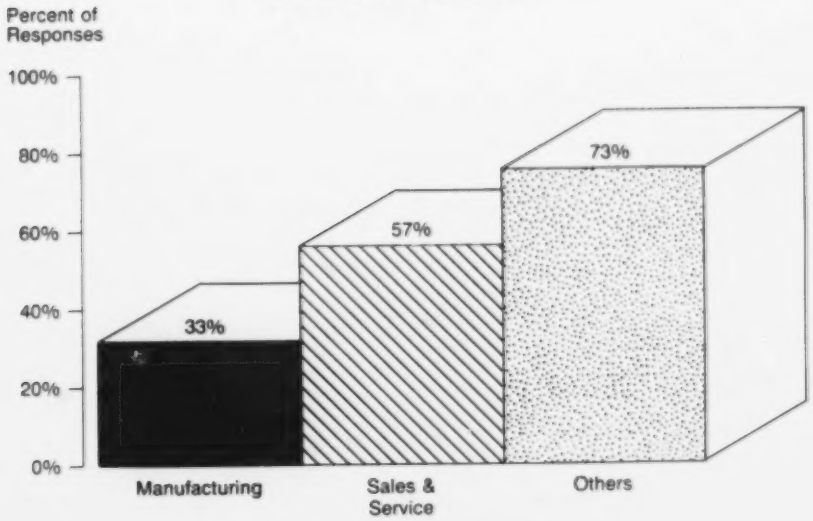
Business Needs Survey
TOPIC: Inventory Control



Much Needed & Needed
Responses by Business Type

TABLE XXIII

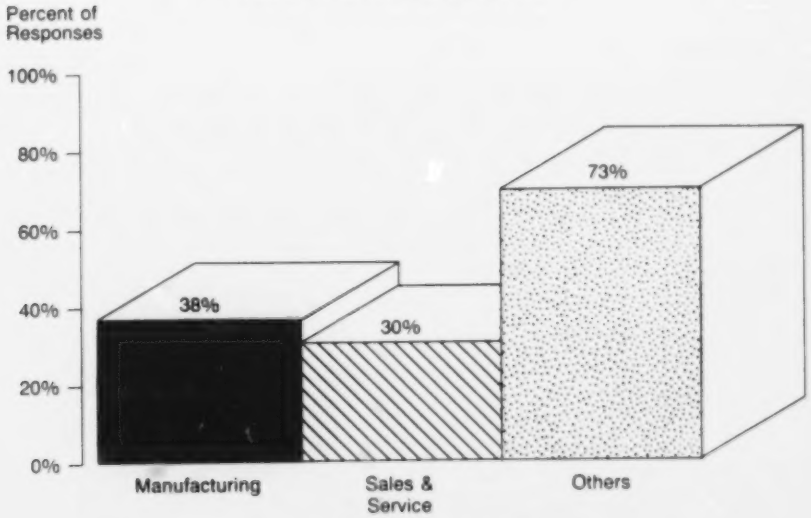
Business Needs Survey
TOPIC: Credit/Collections



Much Needed & Needed Responses by Business Type

TABLE XXIV

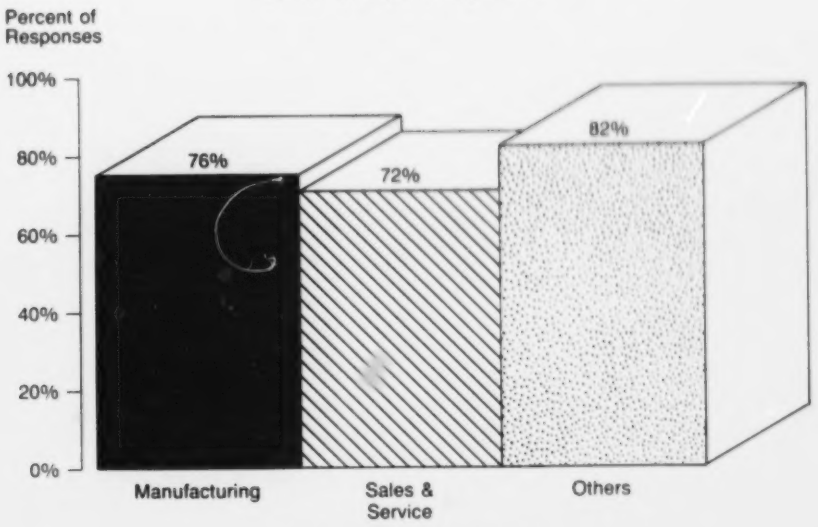
Business Needs Survey
TOPIC: Innovation/Research



Much Needed & Needed
Responses by Business Type

TABLE XXV

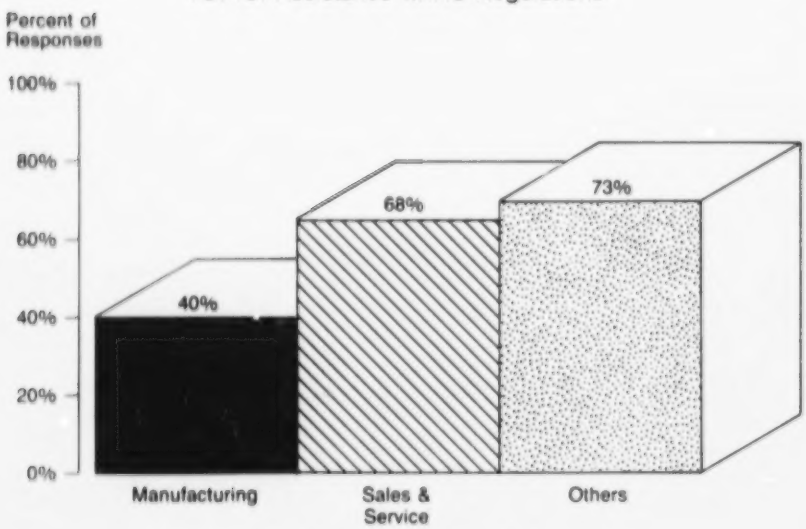
Business Needs Survey
TOPIC: Computer Systems



Much Needed & Needed
Responses by Business Type

TABLE XXVI

Business Needs Survey
TOPIC: Assistance w/IRS Regulations

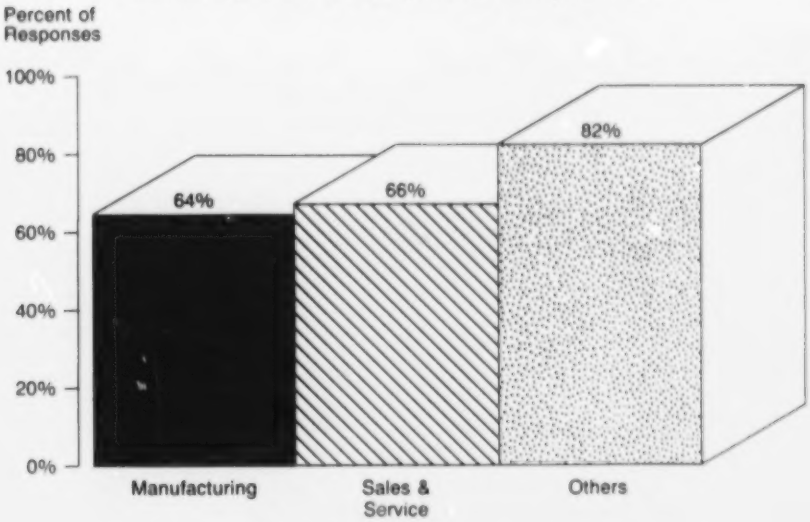


Much Needed & Needed
Responses by Business Type

TABLE XXVII

Business Needs Survey

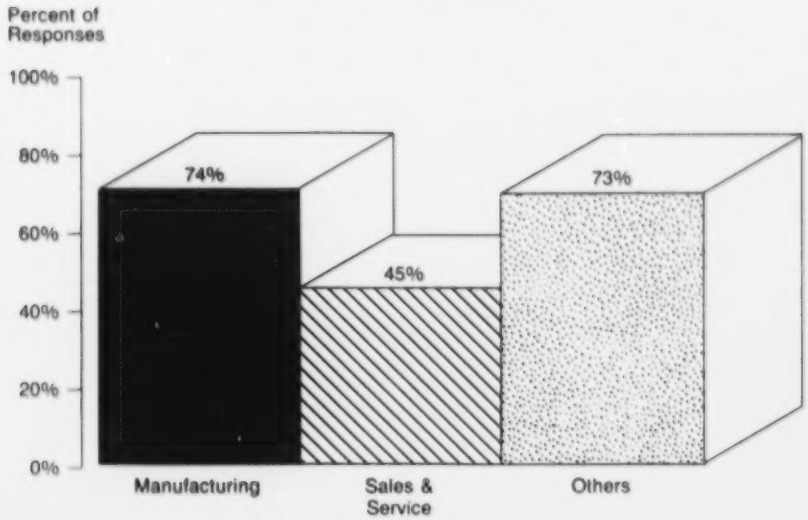
TOPIC: Assistance w/Workmen's Compensation



Much Needed & Needed
Responses by Business Type

TABLE XXVIII

Business Needs Survey
TOPIC: Assistance w/OSHA Regulations

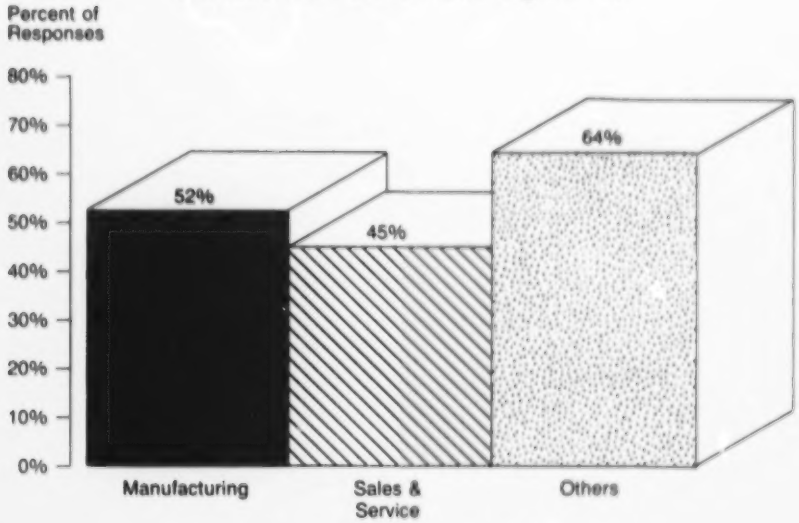


Much Needed & Needed
Responses by Business Type

TABLE XXIX

Business Needs Survey

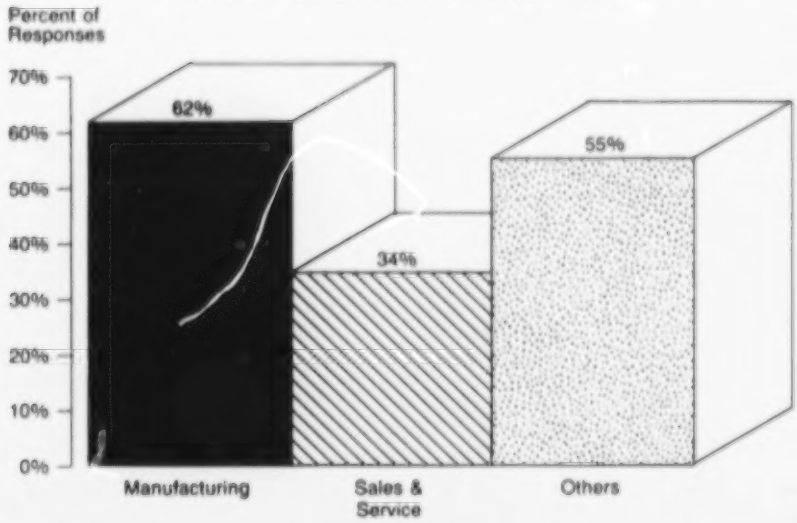
TOPIC: Assistance w/EEOC Regulations



Much Needed & Needed
Responses by Business Type

TABLE XXX

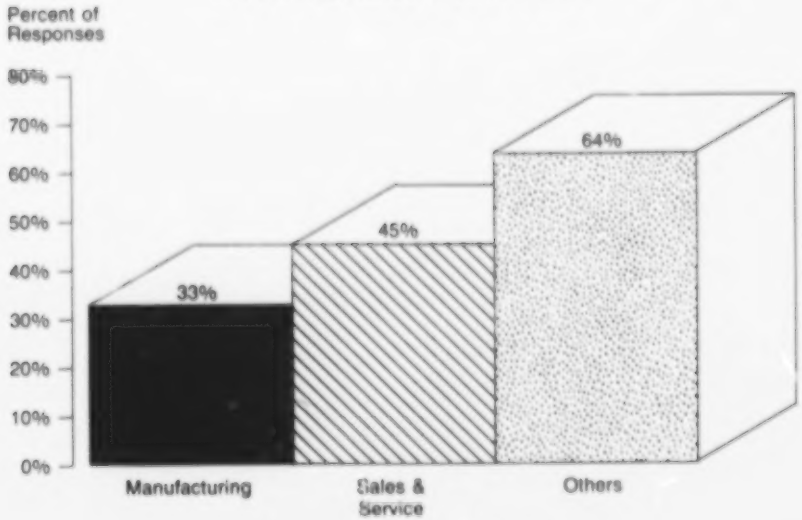
Business Needs Survey
TOPIC: Assistance w/EPA Regulations



Much Needed & Needed
Responses by Business Type

TABLE XXXI

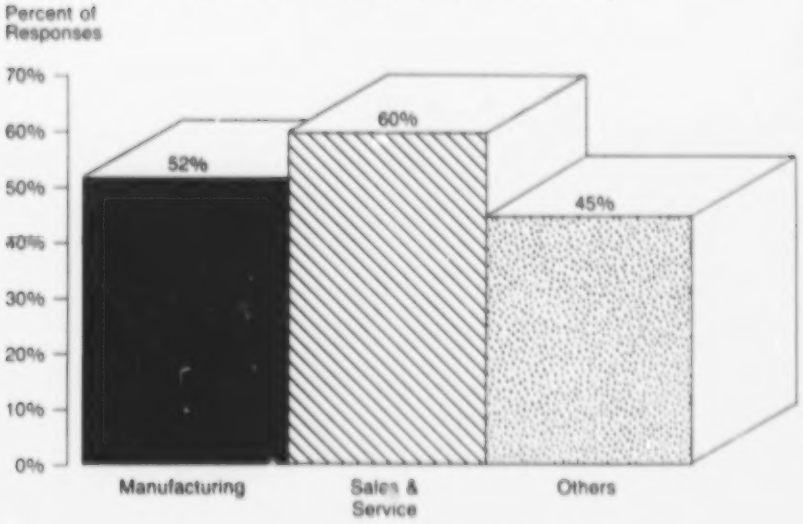
Business Needs Survey
TOPIC: Assistance w/Sales Taxes



Much Needed & Needed
Responses by Business Type

TABLE XXXII

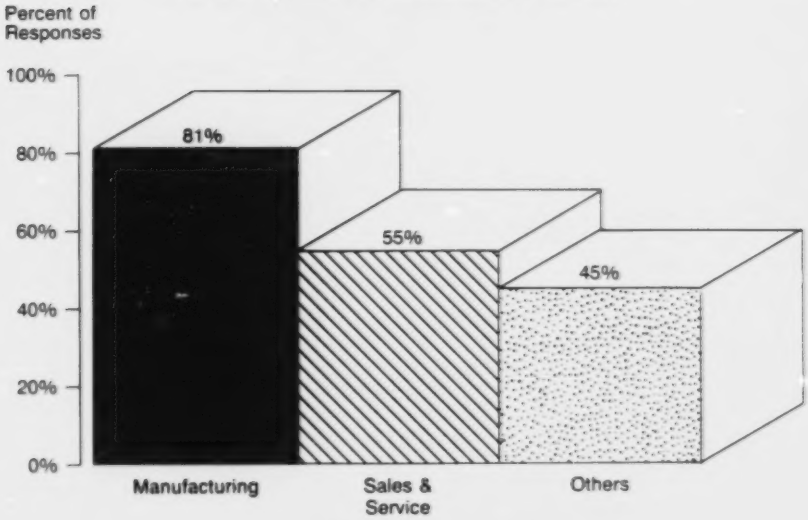
Business Needs Survey
TOPIC: Assistance w/Academic Training



Much Needed & Needed
Responses by Business Type

TABLE XXXIII

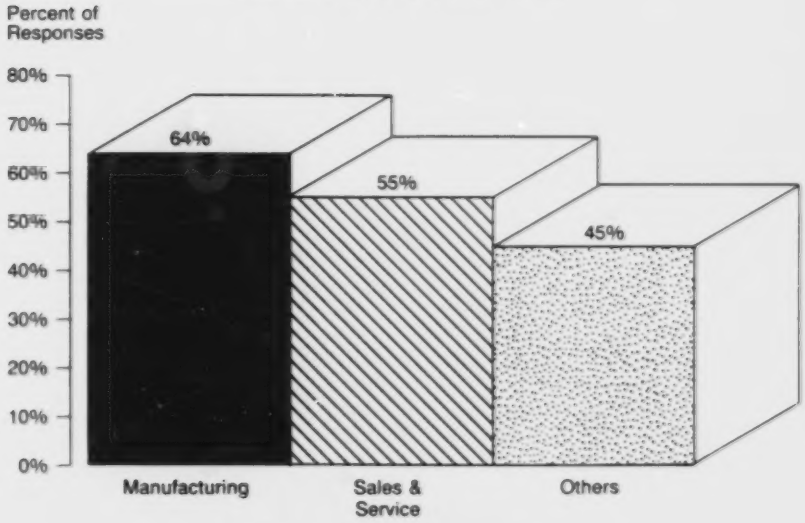
Business Needs Survey
TOPIC: Assistance w/Technical Training



Much Needed & Needed
Responses by Business Type

TABLE XXXIV

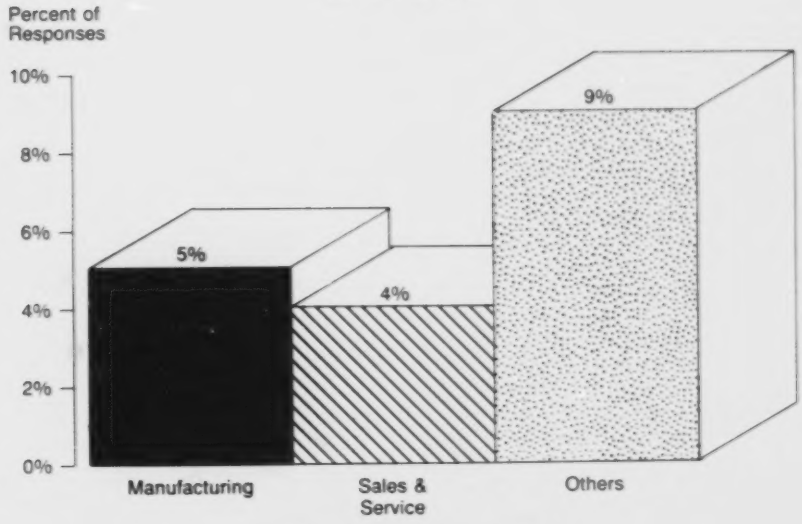
Business Needs Survey
TOPIC: Job Skill Assessment



Much Needed & Needed
Responses by Business Type

TABLE XXXV

Business Needs Survey
TOPIC: Other



Much Needed & Needed
Responses by Business Type

CONCLUSIONS

By reviewing the data presented in the published tables, it is clear that business and industry managers do have varying degrees of interest or need according to the three primary business categories. It is also clear that there are some common needs among all three business categories; that is, manufacturing, sales and service, and "other."

The most common needs of the manufacturing business respondents can be identified by determining which of the 29 topical areas were listed as "much needed" or "needed" by 50 percent or more of the respondents. This simple exercise indicates that manufacturers have 15 common needs listed here in priority order: (Several needs areas were equal in priority.)

1. Technical
2. Computer Systems
3. OSHA Regulations
4. Job Skills Assessment
5. Worker's Compensation
6. Personnel
7. Purchasing
8. EPA Regulations
9. Office/Plant Management
10. Inventory Control
11. Market Research
12. Recordkeeping/Accounting
13. Academic Training Assistance
14. EEOC Regulations
15. Engineering Research

In addition to these common needs, three topical areas were listed by 45 percent of the respondents. These three areas include "sources of capital," "increasing sales," and "start-up planning." An assessment of this data indicates that technical training assistance is currently the highest priority for the manufacturing industry. Job skills assessment, personnel, market research, and academic training assistance also made the top 15 needs list for manufacturers. It is evident that there are some natural services that should be provided by community, technical, and junior colleges to our country's manufacturers. All of these personnel-related and market research-related services are already available at most two-year colleges. The opportunity to create closer partnerships between community colleges and the manufacturers is obviously ripe. Community colleges would do well to let the manufacturing companies in their service areas know what services they can provide. In this respect America's community colleges and its manufacturers could become stronger.

The remaining 10 major needs areas for manufacturers include primar-

ily regulatory concerns and internal operations. Even here, it appears that two-year colleges could be helpful, especially with hazardous waste handling and disposal and in related areas.

The most common needs of the sales and service respondents are listed in priority order:

1. Increasing Sales
2. Market Research
3. Recordkeeping/Accounting
4. OSHA Regulations
5. Computer Systems
6. Personnel
7. IRS
8. Worker's Compensation
9. Financial Statements
10. EPA Regulations
11. Credit Collections
12. Academic Training Assistance
13. Job Skills Assessment
14. Technical Training Assistance
15. Sources of Capital
16. Office/Plant Management
17. Purchasing

As one would expect, the sales and service business respondents are very interested in increasing sales and in marketing research, which directly relates to sales. It was surprising, however, to discover that sales and service businesses ranked governmental regulations highly. Again, internal operations of these companies were high on their needs list. Training and job assessment assistance were also needed, although not to the degree needed by manufacturing. The sales and service sector ranked academic training assistance slightly above technical training, but both types of training seem to be desirable. There appears to be a number of services that community, technical, and junior colleges could offer businesses in the sales and service sectors. The opportunity to make a difference in American sales and service businesses is apparent.

Respondents categorized in the "other" category were primarily in the construction business. The common need areas for this category include the following:

1. Personnel
2. Increased Sales
3. Purchasing
4. Financial Statements
5. Computer Systems
6. Worker's Compensation

7. Marketing Research
8. Recordkeeping/Accounting
9. Credit/Collections
10. Innovation Research
11. IRS
12. OSHA
13. Sources of Capital
14. Advertising/Sales Promotion
15. Bidding/Estimating
16. Office/Plant Management
17. Engineering/Research
18. EEOC Regulations
19. Sales Tax

As with the manufacturing and sales businesses, those respondents in the "other" category ranked personnel highly but did not see training assistance as a high common need. However, 45 percent of the respondents in this category did rank training as a need. The majority of the needs ranked by these respondents center on sales-related and internal operations-related issues. These respondents appear to be very bottom-line oriented. The governmental-related issues were obviously of high concern to these businesses. It is interesting to note that these businesses ranked research as an important factor. Perhaps this indicates that construction companies are keenly aware of the contribution research can make in the overall cost of doing business.

The discussion of current business needs would not be complete without looking at the aggregate common needs of all businesses and industries. Further, the common areas not listed as needed by all businesses and industries should be noted.

Those areas listed as needed by a majority of all businesses and industries include the following (in response order only):

Marketing Research
Purchasing
Recordkeeping/Accounting
Office/Plant Management
Personnel
Computer Systems
Worker's Compensation

Those areas listed as not needed by a majority of all businesses and industries include the following (in response order only):

Start-up Planning
Business Plan Development
Selling to the Government
International Trade
Other (open response)

Of course the researcher, or reader for that matter, can draw a number of conclusions about the data as collected and presented. However, the practical value actually lies with the data's applicability to the local community, college, or business. Any interpretation of this data should be made with the inherent limitations in mind and should be viewed as general in nature. The tables, particularly VII through XXXV, should be especially useful for comparing the needs of one type of business to another. These tables should also prove helpful to community colleges, communities, and other economic development entities in the development of an overall awareness of this country's business and industry needs and interests. These tables should be invaluable to the customized training director of community, technical, and junior colleges for strategic planning, economic development activities, and general sales of college services to business and industry.

Tony Zeiss is president of Pueblo Community College, Pueblo, Colorado.

EXHIBIT A
BUSINESS NEEDS SURVEY

In order to assess the services needed by businesses, we ask that you help us by responding to the following brief survey. Please let us know the importance of each item as it most clearly applies to your business. (This survey is strictly confidential.)

	Much Needed	Needed	Not Applicable	Not Needed
1. Start-Up Planning				
2. Business Plan Development				
3. Sources of Capital				
4. Increasing Sales				
5. Advertising/Sales Promotion				
6. Market Research				
7. Selling to Government				
8. Bidding/Estimating				
9. Purchasing				
10. International Trade				
11. Recordkeeping/Accounting				
12. Financial Statements				
13. Office/Plant Management				
14. Personnel				
15. Engineering/Research				
16. Inventory Control				
17. Credit/Collections				
18. Innovation/Research				
19. Computer Systems				
Assistance with Government Regulations: 20. IRS				
21. Worker's Compensation				
22. OSHA				
23. EEOC				
24. EPA				
25. Sales Taxes				
Training Assistance: 26. Academic				
27. Technical				
28. Job Skills Assessment				
29. Other				

Type of Business
1. Retail ____
2. Service ____
3. Wholesale ____
4. Manufacturing ____
5. Construction ____
6. Other ____

Business Ownership:
1. Privately held ____
2. Public ____
3. Corporate ____
4. Partnership ____
5. Sole Proprietorship ____

Number of Employees:
1. 5 or less ____
2. 6–10 ____
3. 11–25 ____
4. 26–50 ____
5. 51–100 ____
6. 101–250 ____
7. 251–500 ____
8. 500 or more ____

Years in Operation:
1. New ____
2. 1–3 years ____
3. 4–10 years ____
4. Over 10 years ____

SECTION C

RETAINING, GROWING, EXPANDING JOBS—ADVICE FROM BUSINESS AND INDUSTRY

IV

SURVIVING THE TOUGH TIMES

By James A. Smith

It is the rare company that, on its first day of incorporation, has $14 billion in assets, 71,000 employees, and is working through a reorganization at the same time it is defining its markets.

That is how life started for U S WEST, the 14-state regional "Baby Bell" responsible for telecommunications service to nearly 40 percent of the continental United States. U S WEST and six other companies were spun away from AT&T as part of a divestiture agreement with the U.S. government. The telecommunications business was carved up between the previous parent company, AT&T, and the regional communications companies.

Dismantling the largest company in the world was tough enough; add to that the beginning signs of economic decline, especially in the region served by U S WEST, and you have a challenge of epic proportions.

U S WEST was not in a position just to work harder at what it had been doing to meet the economic hard times—it first had to define what kind of company it wanted to be, its strengths, its weaknesses. . . and design business plans to make the most of its assets, both financial and human.

Right out of the chute, so to speak, it was imperative that U S WEST be well known among financial analysts. U S WEST stock had suddenly been thrown into competition with six other communications companies and AT&T. We established a rough-and-ready Western image and dubbed ourselves "mavericks," eager for competition and new challenges.

In the "nothing ventured, nothing gained" mode, we tried several aggressive experiments while continuing to run our core telecommunications business. It was essential that we diversify and try new ventures because the growth of the core telecommunications business was almost limited to growth in the economy—an unenviable trend. Some of those attempts failed, and some are real winners today:

- a real estate company with a $1 billion portfolio that operates in 16 states on projects ranging from U S WEST buildings, to Mary Kay's national headquarters, to a conference center resort
- a financial services company with $3 billion in gross receivables
- a now publicly held cellular phone company with a $2 billion market capitalization.

DEVELOPING A NEW BUSINESS STRATEGY

In the core business, telecommunications, we wrestled through an invaluable process of moving to "market-based management." It became clear that only those companies that truly understand their markets and exist only to serve those markets are successful. We knew we had the technical expertise and seasoned employees to meet those customers' every desire. It worked out into a few major areas:

- Home and Personal Services market: the residential customer who sees the telephone and communications services as helping him or her manage life and time.
- Small Business Services market: the small business customers' telecommunications service is their livelihood. Helpful, high quality services get right to the heart of this market. A major strategy is to define and meet the specific and specialized needs of this market.
- Large Business Services market: these folks have entirely different needs, not only from our other markets, but also within the group. Large businesses vary from the most sophisticated data users to companies with basic communications needs in great volume. We must pay constant attention to their service needs and insure that they have access to the latest and best technology.
- Carrier and Information Provider market: a whole group of businesses that provide telecommunications services to their own customers. They include long distance carriers, other telephone companies, those providing electronic and voice data and entertainment. These are customers who want us to package and deliver to their customers.

There are other areas of business focus, but these include the major ones in the telecommunications area. For U S WEST as a whole, we have identified marketing resources (primarily publishing), data solutions, and financial services as our three other major areas of emphasis.

We researched our markets and came to understand clearly that our role is to help our customers manage their personal lives and careers and ultimately to help them be more successful.

This major positive move was not without its struggle. Our work-hard culture told us to measure our work by technical standards; now we measure ourselves by our customers' standards. We moved from a geographic orientation in our work force to a market focus causing our dedicated employees to form new relationships with different co-workers. And, to be competitive, we needed fewer people—which flew in the face of what our long-time employees had experienced as an almost lifelong contract with the company. By no means have we conquered all these problems, but we are facing them and moving in the right direction.

We are now designing new products and packaging others to meet our customers' needs. We are concentrating our service efforts to provide what people want—not just on what we think is good. And it is starting to pay off; our customers are winning, and our financials are starting to show the benefits of this new strategy.

BUT THERE'S MORE TO BE DONE IN OUR STATES

We know there is more to be done. Perhaps more than any other business, our growth is directly related to the health of the economy. While revenues grow year to year with new products, sustained growth for us comes from new customers subscribing to our basic service—service they will keep over the long haul. When our economy suffers, we suffer; when our economy flourishes, we flourish.

Actively participating in efforts to improve our local economies has taken on new meaning for U S WEST, its market units, and its subsidiaries. We understand that "economic development" is not a gift; it is an investment.

Economic development has several meanings apart from the standard site selection contest. While everyone has to play that game—because one cannot let a big one get away—we must also be aware that the greatest growth will come from existing area businesses. In Denver, for example, if just half of all businesses added one job this year, we would have grown by more than 50,000 jobs.

That is easier said than done. That is where we come in—working on issues that will make it easier for that growth to happen.

- Infrastructure issues
  - —surface transportation
  - —supporting the building of a major new airport in Denver
- Regulatory issues
- Economic development
  - —working to keep taxes equitable, yet insuring enough revenue to make the state attractive to businesses
  - —slashing red tape for new businesses needing a boost
- Investment in the education of our future work force.

Working through these public policy issues is as much "economic development" as wooing the moving business.

A unique and positive strategy is emerging at U S WEST: our marketing group units seek projects to help specific sections of the economy grow—healthy markets make healthy customers. Others in our company work on programs to improve the business environment in our geographic areas, most notably the infrastructure. In effect, we work on micro and macro levels in our efforts to spur growth and development in the areas we serve.

Typical examples of our efforts in Colorado:

- Colorado Initiatives is a $100,000-a-year program that encourages rural communities to design and implement projects to improve their economies. Projects have ranged from solving parking problems to tourism boosters to a unique project where a building was renovated while teaching local citizens renovation skills.
- Financial support of economic development organizations that study the strengths of their areas, the needs of businesses, and ways to get the two together. We believe a portion of our money is well spent with economic development organizations that have proven track records of attracting new businesses and expanding others—skills that are costly to manage internally.
- We are just getting into event sponsorship as both a marketing and an economic development tool. Major events provide customer entertainment possibilities, the likelihood of increased tourism dollars, and national recognition for both the state and U S WEST. Our most prominent examples include an international golf tournament and the 1989 World Alpine Ski Championships.
- We play a major role in supporting issues in Colorado that will improve the business climate. For example, we have recently been active in promoting a city vote on a new airport and have consistently supported improved transportation in the state.

We have taken on education as a crusade, understanding the work force shortages our country will surely experience given the current level of drop-outs and our decreasing population growth. We are supporting creative approaches to education, from pre-school through college, financially and with volunteers who work with school administrators and classroom teachers.

A unique project in which we are deeply involved is called Jobs for Colorado's Future. We, with other businesses and the federal and local governments, are looking at what our future work force needs will be and what learning systems are needed now to meet those needs. We plan to effect change on both the community and state levels to insure that everything possible is being done to get Colorado ready for the future.

Naturally, we are also constantly working with regulators for the financing needed to improve an important part of the state's infrastructure—the telecommunications network. The lack of a proper communications infrastructure will stand squarely in the way of economic development, especially in the very promising rural areas. We're doing everything we can to insure a bright future and a healthy economy by making our part—a significant part of the whole—the best it can be.

Will all this effort make us more profitable? In the short run, no. In the long run, as our area grows more prosperous, so do we. It is as simple as that.

WHAT ROLE CAN THE COMMUNITY COLLEGE PLAY?

Community colleges must position themselves as the experts in training workers whose present skills are no longer necessary, but who still have years of potential. The experienced worker needs a different educational experience, one I believe community colleges can provide. Further, community colleges can put into the work force the worker who needs more education than high school, but not a baccalaureate degree. American business, and certainly ours, needs technically capable people for what used to be everyday, unskilled jobs. Community colleges can fill that need.

But it will not happen if the community colleges are not in there pitching right now. Get in there and get known as a player in this exciting new arena. Stay in touch with who is doing what and who is going to need what in the future. I believe strongly that community colleges will play a major role in filling the labor shortages—get to know where those are in your area. Community colleges can help staff the growing existing businesses as well as the new ones coming to town.

Position your president and a few other key people at your college as partners with your community. Serve on the task force to examine taxes or roads. Host meetings at your college. Do the things that will make you ready, willing, and able to share in the growth that economic development, done right, brings to your area.

James A. Smith, vice president and Colorado chief executive officer, U S WEST Incorporated, Denver, Colorado, has helped to chart a new economic path for his company and for the state of Colorado. U S WEST Colorado employs over 13,000 people and is the state's largest employer.

V

DEVELOPING A SMALL BUSINESS: WATERSMITH, INC.

By Autie McVicker

"*If I tell you an ant can plow, you get the harness ready!*" Self-reliance, confidence, and just plain dedication will often make the difference in small business. All too often an individual will go into business to avoid confrontation with bosses and peers, yet that is perhaps the worst reason to go into such a venture. All day and everyday your will is tested and your veracity questioned. Simply being well-informed and dedicated will help, but ultimately your success will depend on your ability to produce in the face of resistance. Saying something will happen and then making sure it does, without excuses, will build your confidence in yourself and will develop a sense of trust among your employees and associates.

"*Don't bet on a race unless you are running in it.*"

Control, even a loose form, is absolutely necessary to track and guide a business. Throwing your life savings into a venture and expecting large returns without your management and commitment will likely separate you from your money. Absentee ownership is for people buying stocks and bonds. Investing your money in a certificate of deposit will yield more money than investing in a business unless you also invest your time. If you intend to base financial decisions on your own predictions about the potential market share to be enjoyed by a company or product, be sure to check the truth about the market and have a clear picture of the competition. We once sought a meager 5 percent of the do-it-yourself sprinkler market in Oklahoma, only to find that no market existed. We were not in that race at all.

"*Make like a duck: go quiet on the surface and paddle like hell underneath.*"

Remaining calm even in highly stressful climates will help subordinates, associates, and customers have faith in you and perform without the crippling doubts often associated with start-ups. They should not see you lament over the difficulties encountered in making ends meet. Entrepreneurs should find solace in business organizations, churches, community colleges, or with hobby groups, rather than with employees. Refrain from long and detailed discussions of business conditions with subordinates since they will not be privy to the solutions, but only to the problems.

"Penny-wise and pound-foolish."

Some owners will scrimp and save on sales expenses and buy a new car or elaborate office furnishings. Money spent in an effort to produce revenue is never a bad move; however, it can be debilitating to spend too much too early. I was happy to use a 15-year-old copier with low operating costs, but unable to resist identity apparel for my crews. I convinced myself that the identity clothes would make me money. Perhaps, in the long run, they will; but in the short-term, and almost everything in start-up is short term, they cost dollars that could have been spent on advertising or training. Consider the issue of washing crew trucks. It is expensive to maintain a sparkling fleet, so some service or contracting companies drop this expense to save money, but lose business because of diminished customer confidence. You do not trust airlines with dirty pull-down trays!

"Don't look the gift horse in the mouth."

No, do. Your customers, local colleges, trade associations, and a host of other sources will give you very low-cost information and assistance. But in this case I want you to go against the rules. Doubt everyone and everything. Question your information sources, and ask yourself if the answers and guidance you receive really make common sense. For example, I believe it is difficult for the Service Corporation of Retired Executives to help a small business dramatically, because these folks are largely retired wage earners, not business owners and entrepreneurs. Likewise, an incubator is like an isolation ward at the local research hospital. Put a healthy patient in there, and you will soon see symptoms. We gather up normally healthy but juvenile businesses, group them together with other unstable enterprises, support them with well-wishers never immersed in the reality of the business community, and then are appalled when nothing good happens. Beware and be tough.

"When it rains, it pours."

This will be true for the bad as well as the good. Our business began to increase, and as soon as we became too busy to handle any more volume, we experienced triple the expected response. Nice problems are still problems for the manager. Expenses and unforeseen demands on time come in waves. Just when you believe that receivables are about to mature, your most reliable customer will delay payment, and the IRS will discover an oversight that increases your tax liability.

"A penny saved is a penny earned."

By increased revenue of $1, your organization receives a net gain equal to your net profit percentage. It may be as high as 15 percent, but that is very good. However, a decrease in expenses of $1 is a net gain of $1. Often a company must produce $20 of new revenue to balance $1 of new spending. Truly retained earnings are difficult to attain in small business, so this saying is remarkably accurate.

"Do not do business with relatives."

While many successful ventures are family-owned or jointly operated by relatives, many more end in failure. This is not because relatives are any better or worse than other associates; it is simply because those who emerge as leaders can never quite bring themselves to hold the others accountable. It is difficult to sue someone on Monday and then meet him or her at a family reunion or anniversary, or worse yet, at Christmas, on Friday. Accountability in business owes much to culpability, so having no real recourse against relatives reduces the violator's will to comply and increases the frustration of the wronged party. When studied as a management case study, family members in business are less likely to produce high levels of profit than are strangers, simply because the checks and balances are missing. If such an arrangement is to succeed, strong leadership, clear goals, uniformity of commitment, and balanced expectations are absolutely mandatory. Funny, these things help any group of people work better together.

"A job worth doing is worth doing well."

You can charge more for your work if it is better than that of the competition. The race should be to see who can do the best job for the highest price, rather than who can do the worst job for the lowest. Our crews sell work as often as the sales staff because casual observers are so impressed with their workmanship. This also applies to paperwork, recordkeeping, interviewing, and hundreds of tasks performed everyday by all of us. I make an effort to handle each piece of paper only once.

"Hell with the mule, load the wagon."

Somehow, the sales staff must sell at 100 percent effectiveness even when field crews are far behind. The business must have maximum exposure to the marketplace regardless of understaffing or weakness of financial position. We fight a never-ending war of balance. Too many sales and the crews are swamped. Too few sales and the crews languish in the equipment yard. But, when field delays are relayed to the sales staff, they back off. So what is the solution? We try hard to make everyone aware that the continual situation of imbalance exists and that we must work to overcome the natural tendencies it causes. Sales staff can sell hard even when delivery is slow, so long as they know more staff will be available at some point. Office workers can endure terrible swings in output if they are allowed to understand the relationship between records and billing and the customer and field units that they respond to. I am really saying that you should never forsake the mule, but load the wagon as rapidly as you can with the feedback that only the mule can provide.

MAJOR OBSTACLES

The number one deterrent in small business is the low availability of affordable venture capital. We raised money by investing our life savings, profit sharing from previous employers, and proceeds from unsecured loans. The latter seems a bit unusual, and frankly it is. A total of $85,000 was raised by Watersmith, Inc., using unsecured promissory notes guaranteed by the company and all officers, individually and severally.

An additional $150,000 was raised by the officers of the company. Every possible effort was made to secure business loans from banks, commercial capital corporations, the Small Business Administration, and venture capital clubs. Not one dollar was raised in this effort, but it took very nearly 30 percent of our time and mental resources for over a year. The moral of the story is to have your start-up and bridge money in the pipeline before you begin—unless, of course, you are an entrepreneur.

The number two deterrent in small business is lack of real commitment on the part of the owners. Bankruptcy is an out that has become fashionable and, like divorce, is easy to get and easier to explain. A solid promise to one's self that nothing, nothing at all, will stop the business is stronger than any deficiency in technical know-how or impact from a competitor. Going into business for yourself is the hardest thing you will ever do, but maybe the most rewarding.

Autie McVicker is the president and chief executive officer of Watersmith, Inc., of Dallas, Texas, which is a commercial/residential irrigation company. Since 1979, the Center For Business and Industry at Amarillo College has presented management concepts and skills for some of its area's larger employers. The Center, directed by Wallace Johnston, made a positive contribution to the development of Mr. McVicker's small business.

VI

DEVELOPING A SMALL BUSINESS: LITTLE CHEMICAL COMPANY

By Jeanne Witbeck

When Tom Snethen started his own chemical company in January 1986, it was anything but sophisticated. The Beavercreek chemist laboriously mixed chemicals in a 55-gallon drum using a homemade propeller attached to an electric drill. Back then, two hours of labor netted Snethen about $100. He had one customer, and sales were negligible. "I was working very hard, but there was no real focus," he said.

Today, Snethen is one of four operating managers at Little Chemical, a small private company in Portland that develops and distributes laundry detergent, pool chemicals, water treatment compounds, and other chemical products for industrial use. Sales are now over $150,000 monthly.

As operating manager of the Industrial and Institutional Division, Snethen does research and oversees the development of biodegradable water treatment compounds, which are sold to companies internationally. He has developed more than 40 products, half of which have USDA approval.

Snethen holds bachelor's degrees in chemistry and business administration, and he has spent the last 17 years working in the chemical industry. During that time, he collected "Formularies"—recipe books that show how to use raw chemicals to make commercial products ranging from toothpaste to shoe polish.

When Snethen started his own company, the Private Label Manufacturing Company, he earned less than $1,000 a month making water-cleaning compounds and experimenting with other products. He played it safe by holding onto his full-time job as a chemical salesman for a national company.

In the fall of 1986, he enrolled in Clackamas Community College's Small Business Management Program for business start-ups. Through the class curriculum and counseling, he created a business plan that identified the company's needs and goals. The plan demonstrated the importance of focusing his efforts on the production and marketing of water-treatment compounds because he had many years of experience in the industry and understood the profit structure. Snethen recalled, "If I spend all of my time doing five different things, I'd do five different things a little bit. When I focus on one, I'm able to do that much more successfully."

The business plan identified the company's needs and goals. Identifying the need to boost production, Snethen bought additional equipment to increase production five-fold. Since he was not wasting time developing unsuccessful products, he was able to concentrate on marketing and sales. "By the time I graduated from the class, the business plan was in place and working," he said. Sales had grown to more than $10,000 a month, and Snethen was able to quit his job to pursue the business full-time.

The next year, he enrolled in the college's Small Business Management Program for existing businesses. This program showed him how to manage his cash flow, establish lines of credit with suppliers, and plan for the future. Snethen spent most of his time developing financial projections for cash flow needs.

Business, meanwhile, was growing so quickly that he had to work 60 to 80 hours a week to keep up. The instructor told him he had three options: he could hire people to work for him, sell the business, or merge with another company.

He decided to merge. In October 1987, he sold his company's assets—valued at $50,000—to Little Chemical Company in exchange for a portion of the company's stock. Both Snethen and Little Chemical have benefited from the merger. Snethen brought his research and development expertise to the company, while Little Chemical offered him superior financial and production resources.

Before he joined Little Chemical, the company did not have a chemist. It only produced pool chemicals and commercial laundry detergents. The company now develops and produces a variety of environmentally safe chemical products. Little Chemical distributes throughout the western United States and internationally.

The merge has enabled Snethen to continue doing the work he loves for a company in which he is a major stockholder. In addition, he has more free time than he might have had running his own business. In 1988, Little Chemical was approached by a trading company in Washington to see if it would like to sell products to China through Hong Kong. After that inquiry, Snethen checked with the college for assistance in international trade. He was referred to the Small Business International Trade Program for counseling. He met with a counselor to discuss international trade possibilities. He was advised that the Chinese market might be good, but there were potential problems with developing a consumer-oriented market. If the trading company in Washington wanted to buy products and market them through Hong Kong, that would be most acceptable. Snethen was also advised to focus on Canada since the market is more similar to the United States, is closer, is easier to service, and the language barrier is minimal.

Snethen took classes at the community college Small Business Development Center on various fundamental international trade subjects. In

one class, he also networked with another business owner who will be selling his product in Hawaii. The following international results have occurred:

- Products have been successfully sold through the trading company to Hong Kong and subsequently shipped to China.
- Products have been shipped and sold to CUB FOODS Warehouse in Canada.
- Japanese marketing possibilities have been identified for Little Chemical.

Snethen commented, "How much easier it is when you've gone to classes and learned the fundamentals."

MAJOR CHALLENGES

Over the last five years, Snethen has faced the following major obstacles:

- Government regulation of the chemical industry
- Growth
  - —managing cash flow
  - —maintaining profit margins
  - —budgeting his time
- Attracting and retraining qualified employees
- Changing technology
- Financing and insurance availability.

Snethen thinks the company's ability to overcome these obstacles was aided by being in a planning or crafting mode rather than a survival mode. The company's business plan was used as a tool to evaluate opportunities and changes. Snethen also learned some basic operating rules from instructors and other small business owners:

1. Sell only to customers who have the ability to pay.
2. Maintain profit margins.
3. Do not spend what you do not have.
4. The way to make money is not to spend it.
5. Keep expenses down. Always analyze costs.
6. Join the club. Network with other business owners.
7. Do not chase for pie in the sky. Keep your feet on the ground and work at making your existing business more efficient and profitable.

Snethen feels that his bachelor's degree in business trained him to be an employee in a larger company rather than a small business owner. The community college programs have provided him with expertise on managing the financial and marketing sides of his business. The counselors and instructors helped him apply this information to his business. Addi-

tionally, he has benefited from the interchange of ideas with people from other businesses enrolled in the college program.

This year Little Chemical is projecting $3 million in sales. If Snethen had not turned to the community college for help, he might still be a salaried employee. "That's fine, but that's all I'd ever have," he added. "The price of success in that type of firm may be one that I don't want to pay."

Jeanne Witbeck is an instructor and a practitioner of business at Clackamas Community College in Oregon City, Oregon. She was instrumental in assisting Mr. Snethen with the start-up of his highly successful business, The Private Label Manufacturing Company.

VII

DEVELOPING A SMALL BUSINESS: OVERCOMING THE RISK FACTORS

By David A. King and Donald E. Kelly

In recent years there has been a major movement by community colleges to provide general business and marketing services to the local small business person. We all realize the major role small businesses play in strengthening the economy. New business start-ups are vital to the future of this country. However, studies by David Birch at the Massachusetts Institute of Technology reveal that small businesses have an unusually high failure rate—approximately 80 percent in the first five years of operation. There are many reasons for that statistic, but the most widely cited causes for small business failures are lack of available capital, lack of strong management support, and lack of technical assistance. While these conditions certainly manifest themselves in unsuccessful small businesses, they are not sufficient for understanding and improving the high failure rate.

The Business Formation Network, located in Conway, South Carolina, and the Pee Dee Economic Institute, located in Florence, South Carolina, have recognized the problems faced by small businesses. Having consulted with hundreds of clients, they found that there are three other issues to be examined in determining why small businesses fail:

- Determine the need for the product/service
- Know the break-even point and contribution margin
- Control the inventory

Entrepreneurs are usually not identified until after they have become successful. Trees, Etc. is a very young and successful company located in Myrtle Beach, South Carolina, and owned and operated by Judy McDonald. Trees, Etc. manufactures and wholesales wild florals and botanicals. The company is four years old and began in a friend's garage. McDonald has shared a few secrets of her success: given the risk of starting a small business, the high failure rate can be avoided if the following attributes are present.

1. Determine the need for your product or service (by filling a market niche that currently doesn't exist).

McDonald indicates that she was in a fortunate position, having worked for a competitive company. Also, she gained 10 years of experience in the botanical industry. This experience allowed her to gain both knowledge and a competitive advantage by recognizing a unique opportunity to serve the retail furniture industry. She concentrates on providing quality and "white glove" treatment to her customers.

When Trees, Etc. entered the marketplace, there was very little if any competition. Therefore, a competitive analysis revealed a need for someone to service the market.

2. Know the break-even point and contribution margin.

Knowledge of an enterprise's break-even point is useful to a small business manager, not because of the desire to break even, but because it is an extremely valuable concept for analyzing the relationships among costs, volume, and profits. A firm's costs can be divided into those that are fixed and those that are variable. Fixed costs are represented as a lump sum and remain constant as volume increases or decreases. Variable costs increase and decrease with changes in volume and are therefore generally constant per unit of volume.

A firm's contribution margin is defined as the difference between selling price and variable cost. Each time a unit is sold, a contribution margin is generated which can be used to pay fixed costs. The break-even point is reached when a firm sells enough units in a given period to generate sufficient contribution margins to pay all fixed costs. Profits can then be defined as contribution margins beyond the amount necessary to pay all fixed costs or as the summation of contribution margins from all units sold beyond the break-even point.

Equipped with this concept, a small business owner can quickly determine how decisions such as changing process, bidding on special orders, or dropping certain activities or product lines will affect profits. In our consulting, we have found several cases where the firms had such low contribution margins that the volume necessary to cover fixed costs was beyond their capacity. In these cases it was necessary to raise prices, reduce costs, or find new products with more attractive margins.

3. Control inventory.

Maintaining a safe inventory turnover ratio is very important to Trees, Etc. Since a high percentage of inventory is purchases "off shore," payment is upon receipt. Therefore, it is the dollars of Trees, Etc. that are on the shelves and not that of a supplier. Also, McDonald stated that since Trees, Etc. is a young company, most domestic suppliers request 30-day terms. This makes it crucial to keep inventory at levels that create a very quick turnover ratio for cash flow purposes.

We recognize that the future growth and economic development of South Carolina depends upon the success of community colleges working together with the private sector to create an environment where all of our citizens can participate in the free enterprise system.

David A. King is the director of the Business Formation Network located on the Horry-Georgetown Technical College campus in Conway, South Carolina. Donald E. Kelley is a professor of management and the director of the Small Business Institute at Francis Marian College in Florence, South Carolina.

VIII

EXPANDING A BUSINESS THROUGH SUCCESSFUL EMPLOYEE SELECTION

By Jerry W. Moorman and R.B. Ruethain

McDonnell Douglas Corporation (MDC) is a world leader in aerospace technology and an important supplier of information-related products and services. Major product lines are combat aircraft, transport aircraft, space systems and missiles, and information systems. The corporation is also active in commercial financing and leasing. MDC is the largest producer of combat aircraft in the free world and the second largest producer of commercial jetliners. According to the most recent listings, MDC ranks twenty-third in sales among U.S. industrial corporations, eighth in value of exports, seventeenth among U.S.-based suppliers of information systems, and third in total defense contract awards. Major facilities are situated in Missouri, California, Florida, Arizona, Oklahoma, and Ontario, Canada [McDonnell Douglas, 1987].

With McDonnell Douglas subsidiary employees working in more than 20 countries across the globe [Staff Writer, 1988], the corporation is almost constantly expanding. Most recent examples of MDC expansion include Pueblo, Colorado; Macon, Georgia; Columbus, Ohio; Salt Lake City, Utah; and Long Beach, California.

The common thread of success connecting all these new facilities and the specific area of expansion to be addressed in this chapter is personnel. Personnel translates to people, the ingredient that will ultimately determine the overall success of any MDC expansion.

This chapter will discuss the importance of people to any business activity, how McDonnell Douglas chooses its people, and the role that the community college has to play in the overall process.

AN INNOVATIVE APPROACH

A great deal of excitement has been generated by the innovative approach McDonnell Douglas is taking in its new employee selection system. Roy Romer, the governor of Colorado, says, "McDonnell Douglas is to be commended for its outstanding efforts in job training and assessment. Your company has taken the lead in establishing educational partnerships between the public and private sectors." Henry Bellman, the governor of Oklahoma, says, "McDonnell Douglas is to be congratulated for the assessment and training program you have initiated. . . . As a leading corporate citizen, McDonnell Douglas is blazing a trail which other industrial employers may wish to follow."

McDonnell Douglas Corporation is well on its way to implementing a pre-employment selection system that will require new workers to pass an assessment test designed to match potential employees with the appropriate McDonnell Douglas job. The assessment process, combined with a structured interview system, will ultimately be used to choose all new workers for non-exempt and hourly positions. The system is currently fully implemented in the Pueblo, Colorado, facility and is in the early stages of development in St. Louis, Missouri; Huntington Beach, California; and Long Beach, California.

CHOOSING A SYSTEM

The decision to develop and implement a pre-employment assessment and screening system did not occur overnight. In early 1987 Sandy McDonnell, then chairman and chief executive officer of McDonnell Douglas, decided that the corporation needed a more effective system for choosing new employees. To implement the decision, a corporation-wide committee was formed with the charge of investigating various options and making a recommendation on the best strategy to follow.

The impetus for such a concern with employee selection can be traced to the "Five Keys" that MDC stresses are the vehicle through which the company will achieve its potential. The "Five Keys" are:

- Strategic Thinking—Aiming at the right targets by focusing on the aspects of our jobs that contribute to the most important objectives of our work group, our department, our division, our component, and our corporation.
- Human Resource Development—Attaining the maximum career contribution from everyone by constructive reviews and evaluations, coaching, mentoring, and varied job experiences. That way we can all reach our highest potential.
- Participation—Producing the best decisions and implementation by bringing into the decision-making process the ideas and expertise of those who will implement or be affected by the decision. Consensus is just one of many forms of participation.
- Quality/Productivity—Making continuous improvement to the system by using statistical principles and techniques to monitor and attack obstacles that impede our work.
- Ethical Decision Making—Instilling trust and respect by treating others as you would want them to treat you. [McDonnell, 1988]

With the "Five Keys" in hand and a firm determination to ferret out the best assessment system available, the committee set out to accomplish its task. After several months of investigation and discussion, the choice was narrowed to two systems: the General Aptitude Test Battery (GATB) and a commercially available system used in the Pueblo, Colorado, facil-

ity. Both systems were brought under closer scrutiny.

The system being used in Pueblo had been specifically developed for the start-up of the plant there. Designed by an administrator at the local community college, it centered around use of a system called INSIGHT [current version of MESA—Microcomputer Evaluation and Screening Assessment—which was actually used in Pueblo]. At the heart of the system is a job profile, a process that uses industry-specific information to develop a profile of the ideal worker. To develop the profile, interviews are conducted with existing workers and their supervisors. During the course of the interviews, over 20 characteristics directly related to the specific job are analyzed and rated. Factors considered include intelligence, form perception, motor coordination, finger dexterity, eye-hand-foot coordination, color discrimination, temperaments, and interests. At the conclusion of the process, significant job factors and the level at which a potential employee must possess these factors in order to be successful have been identified.

Once identified, the factors are entered into a computer program and become the standards required for future employees. With the standards established and in place, potential employees can now be assessed to determine if their personal characteristics match those required for the job.

The actual assessment uses a computer and a series of exercises that automatically integrate the individual's skills, interests, temperaments, and physical capacities to produce a complete picture [profile] of him/her. This profile is then compared by the computer to the one established for the particular job. If the individual's profile matches or exceeds the job profile, then the person advances to the next stage of the employment process.

The next stage of the employment process is a structured interview. The questions for the interview are developed using information provided by existing workers and supervisors during the job profile interviews.

The Pueblo system sounded very impressive, but had it worked? The committee wanted information indicating results of hiring using the system.

The results proved to be very positive. When test scores were tabulated for the first training class hired using the system, the class average proved to be one of the highest ever recorded in the corporation for training of that type. When the scores for the second training class were tabulated, they tied those of the first. Given the fact that trainees had no previous experience in the type of work for which they were trained, the results were truly amazing.

With information concerning the Pueblo system in hand, the committee turned its attention to the GATB. The GATB is actually a series of tests that measure verbal ability, quantitative skills, ability to visualize spatial relationships, and reasoning ability. The GATB has been used for years by the state employment agencies to predict how well an individual will perform on various jobs. With over 40 states offering the test, its availability is widespread. Given the cursory information available, the GATB

also appeared to be a viable choice for McDonnell Douglas employee selection.

Next, the two systems were compared. The INSIGHT system is a criterion-referenced test, which means that a potential employee is compared to requirements of the specific job being sought. The GATB, on the other hand, is norm-referenced, which means that instead of comparing a potential employee to actual job requirements, the person is compared to every other person taking the test.

In the end the committee chose criterion-referenced testing over norm-referenced because its validity was far superior. The Pueblo system was the winner! The McDonnell Douglas system of choice for selecting new employees was now the INSIGHT.

IMPLEMENTING THE NEW SYSTEM

After the committee made its recommendation, the next job became that of implementing it across a corporation with 100,000 plus employees [approximately 45,000 of whom would fall under the new system].

To design the system for accomplishing this monumental task, McDonnell Douglas consulted the college administrator from Colorado who had conceived the idea originally. With his help, the ultimate plan came together.

The McDonnell Douglas system for pre-employment assessment and screening is a unique approach to selecting new employees. At the heart is a team concept using local community colleges and local JTPA [Job Training Partnership Act] agencies in conjunction with company employment personnel. Working together, the team uses the capabilities and resources of each to select the best possible employees for McDonnell Douglas.

A thumbnail sketch of the process reveals the role of each partner. First of all, McDonnell Douglas approaches the local community college and JTPA agency in a location where it has a plant or plans to build one. Corporate officials discuss their need for pre-employment assessment and screening and the exact system that they want used. The local community college is asked to design an assessment program to meet the specified needs. Next, McDonnell Douglas asks the local JTPA agency to commit funding to the community college's assessment center to help defray the obvious costs of expansion.

From the standpoint of the community college, this is a very attractive proposition. In exchange for assessment services, one of the community's major employers is willing to make a commitment to hire the majority of its non-exempt and hourly employees from among those who pass through the college's assessment center. Very positive public relations and numerous other benefits also befall the community college through this type of partnership.

The local JTPA agency is equally likely to reap enormous benefits from

the partnership. In exchange for its support, McDonnell Douglas is making a commitment to give serious hiring consideration to all JTPA-eligible clients who pass the pre-employment assessment process. In the end, for a reasonable assessment fee paid to the community college, many JTPA-eligible clients will find employment with a major community employer.

McDonnell Douglas benefits greatly from the partnership as well. It now has a comprehensive pre-employment assessment and screening system in place capable of sorting through a large volume of applicants and choosing those who possess the skills, aptitudes, and interests necessary for success on the job. This is done without costly in-house duplication of assessment services already available at the local community college. The end result for McDonnell Douglas is higher productivity gained through a labor force that is well suited and matched to the individual jobs being performed.

The secret to initial success of this system is that it is a "win-win-win-win" situation. McDonnell Douglas wins; the local community college wins; the local JTPA agency wins; and most of all, the potential employee wins by being matched with a job for which success is a very real possibility.

DETERMINING VALIDITY

To document the value of the pre-employment assessment and screening system, McDonnell Douglas has scheduled research to examine the system's validity. Although adequate data exist to support the validity of the commercial instrument being used in the system, McDonnell Douglas intends to take the additional step of validating the system within the corporation. The research will be conducted the first year the system is used and once a year thereafter for a total of three years. The resulting information will be used to support needed modifications and continued use of the system.

CONCLUSION

As McDonnell Douglas has sought to implement the new system around the country, support has been very strong. Since working partnerships of this type are rare, support has come from many arenas. In the state of California, $2 million was recently earmarked for the development of a southern California aerospace assessment center at Long Beach City College. This was a direct result of McDonnell Douglas' commitment to pre-employment assessment and screening.

Other support has been equally encouraging. John Ashcroft, the governor of Missouri, says, "I applaud McDonnell Douglas Corporation's support of and commitment to the job training, vocational education, and community college systems. Strong private-sector leadership, as demon-

strated in your proposal, can only strengthen these systems' abilities to train today's work force for tomorrow's jobs." John Danforth, U.S. senator from Missouri, says, "It's great to know that McDonnell Douglas is implementing a program to improve the assessment of its new employees and to upgrade their skill levels through the utilization of Job Training Partnership Act funds and the community colleges. This innovative effort by McDonnell Douglas demonstrates a real commitment to hiring, training, and upgrading our nation's labor force."

McDonnell Douglas is strongly committed to its new pre-employment assessment and screening system as one of the means for achieving its "Five Keys." All "Five Keys" center around people. People will make the "Five Keys" work, and the new assessment system will help determine just who those people will be.

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Jerry W. Moorman is assistant professor of marketing, University of North Texas. Moorman was the college administrator in Colorado who originally designed the employee assessment system for McDonnell Douglas and now serves as its corporate consultant in this area. R.B. Ruethain is director, Human Resource Services, McDonnell Douglas Corporation [Retired]. Ruethain recently retired after approximately 33 years of service to McDonnell Douglas. The system discussed in this chapter was developed and implemented under his control and supervision.

IX

EXPANDING A BUSINESS: OCEANARIUM PRODUCTS AND DESIGN AND HUNTER DOUGLAS, INC.

By Mike Burns, Sue Secord, Mel G. Cozzens, and David Braman

Community college customized-training staff will experience special satisfaction and energy working with businesses that are ready to create more jobs for the community through an expansion of their work force. In the face of a shrinking labor force, coupled with rapid technological changes demanding a more highly skilled work force, those companies that best manage change and forecast training needs will have the competitive edge. This chapter will describe how Front Range Community College (FRCC) provided training to two expanding companies, Oceanarium Products and Design and Hunter Douglas, Inc.

In delivering training to various businesses, Front Range Community College staff have employed two primary working principles:

- Partner with the organization to identify and address factors that may impair the ability of the organization to manage change, whether or not these factors are typically regarded as training activities. This component of training delivery is generally referred to as organizational development.
- Partner with the organization to emphasize training applications that will strengthen the company's capacity for self-management and independent conduct of training.

Organizational review should be designed to involve key employees in the problem identification process so that employees are trained to improve the company's capability to analyze its own operations. An organizational analysis activity may not be in order when the performance problem can clearly be addressed out of context with other organizational issues, provided the company has the sophistication for self-analysis, or when the company does not wish to buy into the process financially, or with participation of the appropriate decision makers. An analysis activity that detects and provides remedies for deficiencies in hiring processes, production processes, job design, worker incentives, quality management, or workplace conditions will initially pose more complexities and cost. In the long term, such measures will not only guarantee the training but may be imperative for healthy organizational growth.

Training should be designed to minimize the need of the company to return to the trainers whenever there are workforce changes or on-the-job training requirements. Some methods that Front Range Community College has used to build organizations' self-reliance have included deliveries of "train the trainer," "learning how to learn," and "cross training." Other approaches include production of videotapes, trainer handbooks, self-paced employee manuals, and job aids. It is of particular importance in expansion conditions that the existing work force and organization systems are developed to efficiently assimilate the new work group. Building self-capacity for the client may appear to be a sure means to defeat return business for the college but is more likely to guarantee a lasting partnership with a vital business.

To illustrate the application of some of these concepts, two case studies are presented by companies who have called upon the services of Front Range Community College.

OCEANARIUM PRODUCTS AND DESIGN, INC., WESTMINSTER, COLORADO

Realizing the greatest dream of most Americans—to start their own business—is actually pretty easy. All it takes is your version of the "great idea" and the courage to try. Just ask John Fiedler III and Robert Wharton of Oceanarium Products and Design, Inc.

Fiedler was a successful investment counselor who had outstanding professional achievements, including a vice presidency at Drexel Burnham and Lambert, the stock brokerage company. When Fiedler decided to venture out on his own, he used his highly honed analytical skills and long-time interest in pet fish to recognize a great opportunity in the saltwater fish segment of the pet industry.

Fiedler noticed that fish and related products made up the largest market of the pet industry. In fact, while other segments declined (birds fell 8 percent in 1987), the fish segment actually expanded by $141 million. The fastest-growing aspect of pet fish, Fiedler quickly perceived, was saltwater, also known as marine fish. In 1987 saltwater fish grew 12 percent, while other aquarium products also grew an additional 7 percent.

The saltwater varieties are among some of nature's most beautiful aquatic animals. In addition to exotic fish with brilliant colors and markings, sea anemones and "living" rock contribute to a lush aquatic environment unmatched by the familiar fresh water varieties. However, Fiedler knew that the system components, such as the tank, had to be visually pleasing to complement not only the aquatic creatures, but also the living style of the typical 26- to 40-year-old buyer. Moreover, the saltwater aquatic systems had to be practically maintenance-free to be highly salable.

The first production version of the "oceanarium" was exactly that. Fiedler used plexiglass, a strong but pliable acrylic material, rather than

traditional glass for the tanks. Plexiglass could be bent to form graceful curves, eliminating the sharp, glue-marred corners generally associated with aquariums. He also incorporated an integral "wet-dry" filtration system into the oceanarium. While relatively uncommon in the United States, the "wet-dry" filtration system was well-proven in Europe. The filtration system, if used in a large enough tank, e.g., 40 gallons, would produce an ecologically balanced environment that requires little care on a regular basis, except adding water occasionally.

The result was a highly dramatic, contemporary design oceanarium with curved, clear plexiglass complemented by a canopy and pedestal stand in contrasting black. There was nothing else like it in the marketplace, and interest in the states, Canada, and Europe surpassed expectations.

As distribution, sales, and customer service became a full-time job, Fiedler brought Robert Wharton into the company. Wharton was trained as a manufacturing engineer but had spent the bulk of his professional career working as a Department of Defense consultant in military logistics. He also happened to be Fiedler's brother-in-law. Fiedler offered Wharton a share of the company if he would join Fiedler in Colorado as the chief operations officer. Fiedler would continue to market the product and create new product and service lines.

Wharton made an immediate impact on the company's operation. After a review of production processes and flow, he completely revamped the processes and methods to produce products faster, better, and more cheaply.

The company principals recognized that, in the near term, if production was to meet sales projections, then approximately 20 more people would have to be hired and trained. The company turned to Front Range Community College for assistance. The following is a description of their experience:

"As members of the Westminster, Colorado, community, we knew that the college had a strong local reputation for small business development assistance. Recently, the college had developed additional capability in assisting local businesses with their individualized training needs. We decided to go to the college for assistance in the design and development of in-house employee training. We were also interested in pursuing and implementing the 'quality excellence' philosophy that we had heard promulgated by Peters, Demming, and others.

"Prior to any actual training activities, the college conducted an organizational need analysis to provide an objective determination of our training priorities. This analysis included interviews with all company managers, including our part-time accountant, and a review of Oceanarium's financial condition, policies, procedures, and manufacturing processes.

"The college determined that we suffered from growth pains.

Oceanarium had grown at such a rate that the ad hoc procedures that had initially led to our early success were inadequate to sustain a fully operational business.

"Running any business, but particularly a small business, has inherent problems that we were neither professionally nor academically prepared for. During the initial start-up of Oceanarium, as only a team of three, we could devote much of our time to creating the company. However, a company with 20 employees requires structured systems to operate effectively and efficiently. The paperwork, accounting, organizational communications, and many other administrative tasks consumed the time and energy of our two managers.

"The first sign of existing problems was a drop in productivity and product quality. Employees would be idle because either a raw material or finished part that they needed was unavailable, or they would be under almost unreasonable production schedules because a new distributor needed products immediately. Finished parts would be wrong because a design change had not been communicated. Front Range helped us to recognize that these kinds of problems are often misdiagnosed by managers as a motivational or training problem. Often, they are not.

"Other problems also arose. Because new distributors needed time to become acquainted with the product, we were liberal with our credit terms. While this placed products at the consumer level, the delayed cash payments created problems for the company to meet our financial commitments. Accounts payable (vendor bills) and accounts receivables (payments to the company) began to get extended to 45, then 60, and finally 90 days in arrears.

"We were also attempting to take the company in new directions. While the oceanarium units were establishing a strong presence, the livestock, i.e., marine fish, were only sporadically available. We reasoned that a reliable source of marine fish would not only benefit the sale of oceanariums, but would also provide additional profits for the company, particularly given the excellent transportation and wholesale prices we were able to negotiate. In addition, we felt that a new type of lighting needed to be available to nurture the marine life. Both new ventures were expensive, requiring large cash outlays.

"A third product line was also being created, simultaneously, as a response to our own needs for the storage and maintenance of livestock. The traditional manner of storing and maintaining fish in individual tanks was both space- and labor-intensive. We devised a tank system that used the wet-dry filtration system and interconnected rows of plexiglass tanks. The tanks were designed to be simply subdivided. Word-of-mouth on this revolutionary system produced sales as far away as Washington, D.C.

"We encouraged the college to assist in the development of training approaches for all levels of our company to achieve organizational effectiveness and maturity. The college advised us that the training issues were

complicated by organization issues. In addition to the obvious need for training and skill acquisition, the college recommended that we also needed to address organizational factors such as administration, purchasing, sales and marketing, manufacturing, and all of the associated policies and procedures needed to create a stable environment for trained personnel."

In this context, particularly for the principals, training is often not the traditional theoretical classroom approach. In fact, the training took the form of developmental activities with active listening, asking the pertinent questions, and coaching the right responses. Training development also actively involves employees to determine the impact of the organizational problems as well as the best ways to perform particular tasks. This type of training is often called process training (consulting) because the process of diagnosis, understanding the underlying issues, assisting in the development of action plans, and monitoring the results is the tool with which the training consultant teaches the participants key skills and approaches. The advantage of this training approach is that the trainer can focus on those managerial, organizational, or other skills that the participants need; and the participants can immediately see how the skills help them to deal with pressing problems. The disadvantage of this approach is that the trainer becomes involved in the company decision making process, and it can be difficult to select the decisions that should be part of the training process. In fact, with an accomplished trainer, a dependency relationship can develop.

The college has, to date, assisted the company in learning and implementing a new managerial approach with assigned tasks, delegation of responsibility and authority, objective-based planning, and open communications. The general approach that has been taken to achieve this organizational development and growth has been work-group sessions.

Consultants from the college have worked with Fiedler, Wharton, Greene (the accountant), and production personnel in various work groups to develop action plans. One work group focused on organizational planning, which resulted in specific tasks, including the recruitment and hiring of an administrative assistant and sales manager. A production work group reviewed the existing production systems and methods and determined a number of action steps that would improve production flow, reduce idle time, and boost morale. In addition, this work group studied the impact of the quality-of-excellence philosophy on the company.

The early results from the college's involvement with the company are promising. Fiedler's continuing contributions to the company are his vision and his expertise. Wharton's contributions are his attention to detail, understanding of manufacturing, and production expertise. Fiedler, Wharton, and the rest of the company needed to look at what they were doing, how they were doing it, whether it should be done, and how to do it better. This process is not completed, nor should it ever be in a striv-

ing business, but the groundwork for a continually improving working environment is laid.

HUNTER DOUGLAS INC.—WINDOW FASHIONS DIVISION, BROOMFIELD, COLORADO

Hunter Douglas Inc., Window Fashions Division of Broomfield, Colorado, is considered one of "the jewels in the crown" of Hunter Douglas, N.A., based in The Netherlands. The parent company was founded in 1946 by Henry Sonnenberg of The Netherlands, a skillful marketer and financier, and Joe Hunter of the United States, a talented engineer and inventor. The two men shared an interest in developing and marketing new products and, with the founding of Hunter Douglas, decided to concentrate on the venetian blind—a product which at that time was new to the marketplace and primarily produced through a cottage industry approach. Consumers liked Hunter Douglas's improved model of the venetian blind, and the company quickly rose to world leadership in the venetian blind industry. By the mid 1950s the company was producing over 50 million units a year.

While the company prospered over a 20-year period, in the late 1980s changes within the industry and the changing preferences of its customers prompted the company to broaden the range of window treatments it offered. In 1985 Jerry Fuchs, president of Hunter Douglas Inc. (Hunter Douglas North America), discovered a small company in the Denver area that had developed an innovative window covering: a pleated window shade with a honeycomb, or hexagonal, structure that also provided superior energy efficiency. Although marketing by the small firm had not produced satisfactory results, Fuchs recognized the sales potential of the new shade and made an offer to buy the company. The Hunter Douglas Window Fashions Division was established in Broomfield, Colorado, to manufacture and market the Duette® window shade, as the new product was named. Under the direction of Marvin Hopkins, the current president of the new division, the Duette® shade achieved unprecedented success in the market. By 1988 the new product had captured 60 percent of the pleated shade market in the U.S. By this time the company had grown from a staff of five to more than 200 employees with annual retail sales reaching $300 million.

By 1988 Hunter Douglas Window Fashions Division was ready to take the next step in its development—the building of a $30 million manufacturing plant and administrative complex that would allow for the addition of over 800 employees over the next eight to 10 years. The young company had attained great success in Broomfield, Colorado. A skilled local labor force as well as financial incentives from the city and the state induced the firm to purchase land close to its existing plant. Groundbreaking for this new facility occurred in January 1989, and the new manufac-

turing plant will be ready for operation by the end of 1989. Hunter Douglas's manager of the Human Resource Department explains the company's relationship with Front Range Community College:

"Within a year from groundbreaking we anticipate adding 100 new production workers and 25 new administrative employees to our staff. Growth of this magnitude brings with it a variety of human resource challenges. To help us accommodate the anticipated growth as smoothly as possible through effective, professional handling of change and the influx of new employees, we turned for assistance to Front Range Community College's Contracted Services Division. For a number of reasons, FRCC seemed a good choice as a partner who would be able to work with us as we continued to grow. Located only five miles from our plant, the college was easily accessible and well known for the high quality of its existing vocational technical programs. In addition, the Contracted Services Division has worked with many businesses in our local community and already has an extensive resource base of trainers and consultants from which to draw. And because of the college's long-term commitment to the economic development of our area, we knew that they could be relied upon for a long-term process.

"Initially we identified four areas where FRCC could assist Hunter Douglas in building our internal capacities:

- development and expansion of our supervisory staff
- training of new production workers
- orientation of new employees
- improving basic skills of our current work force

"Supervisory Training: To staff the new plant, we needed an additional pool of candidates for potential promotion to team leaders and supervisors. We also wanted to provide current supervisors and leaders with skills enhancement in areas of people-management skills. Responding to this need, Front Range Community College developed a two-part, 19-week Supervisory Training Program. The objective of Part I of this training was to improve the employees' general communication, team building, and leadership skills. Topics covered during Part I included: The Basics of Supervision; Communication and Effective Interaction; Managing Your Manager; Leadership/Team Building; Managing Stress; and Time Management.

"Part II of the Supervisory Training used the highly acclaimed video-based training program, 'Interaction Management' from Development Dimensions International. This 10-week program emphasized participatory management and provided intense 'hands-on' practice sessions in the skills of supervision and management in a manufacturing setting. Topics covered included: Gaining Acceptance as a New Supervisor; Discussing Performance Expectations; Improving Employee Performance; Improv-

ing Work Habits; Maintaining Improved Performance; Effective Follow-up Action; Effective Disciplinary/Corrective Action; Handling Employee Complaints; and Orienting the New Employee.

"The topics covered during this Supervisory Training Program were 'generic' in nature, that is, they would apply in any manufacturing setting; the delivery, however, was not. FRCC trainers worked very closely with us in customizing the program to fit our specific needs and to insure the long-term impact of the program. In addition to training current and potential supervisors, the FRCC trainers also worked with our highest level managers to insure that they understood the concepts being presented in these programs and could then give active support to supervisors in applying their new skills.

"Training of New Production Personnel: 'Train the Trainer.' With the rapid expansion of our work force over the next 12 to 24 months, it will be necessary to provide effective, standardized on-the-job training to new employees involved in all aspects of our manufacturing process. However, because of the proprietary nature of our manufacturing process, this training can only be conducted by Hunter Douglas personnel. FRCC proposed to develop and deliver a 'Train the Trainer' program that would prepare six of our current employees to deliver in-house training.

"The objectives for this 'Train the Trainer' program would be threefold:

- To identify standard manufacturing procedures through input from current employees;
- To provide a core group of employees with the skills needed for conducting training programs for fellow employees on these procedures; and
- To provide this core group of in-house trainers with the skills for evaluating the effectiveness of the training programs they would design and deliver.

"The training program would be designed to be hands-on and recursive—that is, the training program itself would serve as a model of the way a training program should be designed and conducted. There would be a heavy emphasis on practicing each skill area on the actual training program to be designed and implemented on the production line. As a result participants would leave with a product that would be ready to implement and that had been 'tested' on each other. Participants would also be videotaped where appropriate as a way to increase feedback on their skills.

"To date, the Supervisory Training Program has been delivered to 36 Hunter employees, and we are making plans to begin another delivery during the summer of 1989. The feedback from participants has been very positive, and we in management have observed the supervisors putting their training into action. The 'Train the Trainer' program is being pre-

pared for delivery, and we are in the process of identifying those employees who are best qualified to take on this training responsibility. As mentioned above, we also have identified needs for orienting new employees and for improving the basic skills of employees in various departments. While actual development of these programs has not begun, we look forward to continuing to work with FRCC in these areas as well. FRCC's full-service video production capabilities will be very useful to us in developing video-based orientation materials.

"As a relatively small company, Hunter Douglas, Inc., Window Fashions Division, does not have a large human resource department. The resources offered by FRCC have given depth to what we can offer to our employees in the area of human resource development without requiring us to expand this department beyond what is appropriate for a company of our size. We look forward to our continued partnership with Front Range Community College and to the contribution they will make to our human resource development needs as we continue to expand and prosper in Broomfield, Colorado."

Mike Burns is the manager of human resources for Hunter Douglas, Inc., Broomfield, Colorado, and has been responsible for planning and implementing a variety of programs that are preparing Hunter Douglas employees for the company's major expansion and move into its new facility.

Sue Secord is manager of professional development services for Front Range Community College, Westminster, Colorado, and is responsible for the development and management of customized training programs delivered to business, industry, and government.

Mel G. Cozzens is manager of customized training at Front Range Community College. He is responsible for the development and management of customized training programs delivered to business, industry, and government.

David Braman is dean of continuing education/contracted services at Front Range Community College. He is responsible for the college's continuing education programs, off-campus credit classes, telecourse programs, cooperative education, job placements, and customized training delivered to business, industry, and government.

X

Effective Expansion Through Reduced Turnover of Employees

By Mitzi G. Cardenas and Jim Quintero

Sunshine-Jr. Stores, Inc., is a convenience store and supermarket chain that spans the five Southeastern states of Florida, Alabama, Georgia, Louisiana, and Mississippi. The company operated 513 convenience stores (Jr. Food Stores) within this five-state area at mid-year of 1989, and four supermarkets (Sunshine Supermarkets) in Bay County, Florida. The convenience store division of the company is divided into four regions that are responsible for a total of 26 districts (six to seven per region). Each district is made up of 11 to 13 stores. All of the stores are run by the company, which employs approximately 2,000 people.

The company was founded by L.D. "Sunshine" and Leona J. Lewis and began with a hot dog stand in Baghdad, Florida, in the 1930s. Moving into the grocery and supermarket business and, in 1961, the convenience store business, the company has continued to progress using an innovative approach. After Mr. Lewis's death in 1981, his daughter, Lana Jane Lewis-Brent, who was then senior vice president for the company, became president and chief executive officer.

The company's innovative approach is particularly useful in an industry wrought with change. Since beginning in the early '60s, the convenience store industry has grown from as few as 500 stores to over 80,000 locations internationally. This rapid growth has seen many operators come into and out of the business, and only those who are willing to change and adapt to technology have been able to survive in the highly competitive marketplace. Sunshine-Jr. has used several approaches to compete with a variety of new "threats" to the industry, such as fast-food operators and oil marketers.

Early in 1988, the company began to position itself for substantial expansion in several markets by identifying specific sites in high-growth areas within the five states of operation. Located in areas that are traditionally dependent on tourism, the company chose the central Florida corridor as the major area for expansion. In this part of Florida the tourist season is active from October to March, when the other areas of operation are experiencing a slowdown in traffic.

In building new stores, the company is continually aware of the marketplace and has the ability to adapt store design and product mix to meet the needs of the customer, even in very specialized marketplaces. The company's plans for expansion and diversification specifically address new

store construction; acquisitions of other store chains; relocations of existing stores to primary locations; and diversification of products such as video rentals and specialty delis.

Because of the competitive nature of the business, coupled with minimal supervision of employees at some levels, effective training is critical in all areas of operation. The store level employee who can effectively manage the store as an individual business and at the same time work within the constraints of company guidelines is critical to the success of any expansion plan. Therefore, it was determined that both the store manager and the sales associate must be fully trained and capable of meeting not only the day-to-day requirements for effective operation of the store, but also must be able to perform in several other key areas identified by the company.

While growth is a major goal for Sunshine-Jr. Stores, controlled growth was identified as the process that would be undertaken by the corporation to insure maximum stability at every level of the work force. Issues of selection, turnover, retention, training, and career path development were regarded as the key areas of consideration that would provide stability and allow for expansion. Like other service industries, the convenience store industry is faced with a decreasing labor market and increased competition for employees among convenience stores. To insure that employees would remain with the company for a period of time, effective training becomes a factor in reducing turnover and managing retention, since it produces job satisfaction.

Because of a long-standing relationship with Gulf Coast Community College and its enormous expansion and diversification, Sunshine-Jr. Stores was identified as meeting the state of Florida's requirements for participation in the Sunshine State Skills Grant program. Since 1986, this Florida state program has offered Gulf Coast Community College the opportunity for a variety of partnerships with business and industry in its service area. The impact of the nine grant programs developed by Gulf Coast Community College on economic development has been tremendous, with over 2,500 participants trained in targeted current and future employer requirements. The areas of concentration have included sophisticated office equipment operation, advanced electronic technology, multi-graphic printing processes, and hospitality operation. Grant funding allowed Sunshine-Jr. Stores to address the following needs:

- To conduct specific appraisals of current middle- and upper-management personnel for the purpose of career development;
- To conduct research to reduce employee turnover (particularly at the sales associate level);
- To revise the company's performance appraisal system;
- To revise the employee selection and hiring program;
- To reduce employee turnover at the sales associate level by 30 per-

cent through training aimed at improving skills and reducing the impact of anxiety on minimally supervised personnel;

- To create and develop an orientation-store-training manager position for each district in the company;
- To introduce solid managerial techniques through field management training programs designed to help managers compete more effectively in the increasing competitive environment; and
- To lay the foundation for a long-standing commitment to employee development through the creation of a Convenience Store Certificate program.

Turnover at the sales associate level has always been a problem for the convenience store industry. Annual turnover rates of 200 to 300 percent for all positions is not uncommon. Reducing employee turnover was identified as one of the major elements for success in the company's expansion. It was thought that only properly trained, satisfied employees could provide the customer service necessary to insure the success of any new store or any new store program.

REALISTIC JOB PREVIEW

The company began with an assessment to determine what specific responsibilities were expected of the sales associate during the normal operation of a sales period and the skills necessary to meet these expectations. It was at this point that the company met with an organization development consultant who had been commissioned by the National Association of Convenience Stores (NACS) to conduct specific research on retention and turnover. The consultant suggested that a complete and thorough presentation of the job to a potential candidate before the point of hire would result in reasonable expectations of the position and, therefore, reduce turnover. It was also determined that this presentation would require displaying both the positive and negative aspects of the job. Most organizations tended to "over-sell" the position during the recruiting process, and by providing a more Realistic Job Preview (RJP), the candidates would self-select if they perceived a "fit" with the job or organization; demonstrate more commitment to the organization since they received more information about the job and therefore would feel more responsibility for the decision; and would better cope in the job because of the knowledge gained early in the process.

To test the theory, a *traditional* job summary was developed, containing only positive aspects of the job; in addition, a *realistic* job summary was developed, containing both positive and negative statements in an effort to reflect the job accurately. Each script was adapted into the following versions:

(a) Audiovisual RJP—A video version of the RJP was filmed using an

actress identified as a sales associate following the script. This video was shown to applicants in the video treatment.

(b) Written RJP—A brochure with RJP information was given to applicants in the written condition.

(c) Audiovisual traditional preview—A traditional (positive) job preview was edited from the raw video footage and used for viewing by these subjects.

(d) Written traditional preview—A brochure with the traditional (positive) information was provided to these applicants.

Questionnaires were used before employment to gather information regarding an individual's knowledge of convenience store jobs, biographical data, and perception of self-efficacy for the job. After employment, subjects completed questionnaires regarding the knowledge gained from their preview (whether realistic or traditional), comparison of the preview to the actual job, stress levels experienced on the job, and satisfaction with the job. Supervisors rated the new employees' job performance on relevant job tasks.

At the completion of the research project, findings suggested that there was a significant difference in retention of employees in the different treatment groups. However, no specific conclusions could be made about why the groups differed. It was suggested, however, that the difference could be the result of improved information presented in the realistic job previews as opposed to the traditional job previews.

It was further suggested that with the post-reports of improved retention with realistic job previews, it seemed likely that the method would work in the convenience store environment. Sunshine-Jr. Stores adopted the Realistic Job Preview as part of the selection process and also as part of the Orientation Training Store program to support the complete training effort.

ORIENTATION STORE

The Orientation Training Store concept was developed to insure that new sales associates received the necessary information to ease the transition into the Jr. Store from their previous position, thereby reducing the anxiety of a new working environment, while making them feel part of the team when they reported to their Base Store of Operation. To insure success, the company made several changes in the existing organizational structure and in the physical appearance of the Jr. Stores identified in each district as the Orientation Store.

New Position

Twenty-six new positions were created to meet the new training needs. Store managers with outstanding records in store operation were

identified and selected as orientation store managers for each of the 26 districts and were centrally located for easy access.

Custom Classroom

Each of the stores selected to serve as the Orientation Store was remerchandised to make room for classroom construction within each store. Every classroom, by design, was large enough to seat one instructor and four students and was equipped with audiovisual equipment and desks.

New Curriculum

An eight-hour curriculum was developed to provide maximum exposure to the Sunshine-Jr. Store systems and to introduce the newly hired individual to the convenience store operation. Knowing how effectively new employees would assimilate to the store environment was critical at this point in their employment. The eight-hour curriculum incorporated some of the most sensitive issues that the sales associate would face on the job, such as techniques of alcohol management, robbery prevention, customer service, and other issues. Company expectations were clearly outlined for the employee during this process.

Train the Trainer

Train the Trainer sessions were conducted at each of the four regional offices to assist in the development of the Training Store Manager. While the primary role of the training manager would be to conduct orientation training, district managers and regional directors have used the training manager's teaching abilities in other instructional areas. Sunshine-Jr. Stores recognized the added dimension that this training position offered to the stores and was willing to increase instructional responsibility.

Since retention efforts needed to be incorporated and communicated to the field in a uniform manner, extensive curriculum development and revision of existing curriculum was conducted. Three field management levels would be involved in formalized training presentations; all sales associates and assistant managers would receive classroom instructions in customer service and basic store operation procedures. Store managers, area supervisors, and district managers would receive eight-hour periods of instruction in basic supervision, selection and hiring, discipline and termination, and performance appraisal. Upper- and middle-management would receive advanced management training, using the services of Psychological Associates, an identified management consulting company.

Other retention efforts in training included the L.D. Lewis Scholarship Fund, which enables employees to take certain entry-level business courses, tuition reimbursement, and the certificate training program, all through Gulf Coast Community College.

Perhaps the most significant retention effort undertaken during this time period was the revision of the performance appraisal system. The previous performance appraisal system included review of management- and supervisory-level positions only, thereby limiting the company's capabilities for development of employees. The revised appraisal system was designed to monitor performance of all clerical employees on 30-90-180-day intervals, providing the individual and the organization with a timely and accurate assessment of performance in several job-related areas and offering recommendations for additional responsibilities to insure a viable career path. The company felt that this type of performance appraisal system, tied to an increment merit increase, would have a significant impact on both performance and retention.

Rewarding the individual with timely feedback tied to merit increases was the initial step in creating a career path for store-level employees. The strength of the program has been tested, and it has been determined that approximately 90 percent of all promotions to store management were made from within, while over 70 percent of all first-line supervisory positions were also from people who had previously received a promotion from within the organization. To insure that this philosophy of promotion from within continued, the company employed the services of an industrial psychologist.

The primary goal was to perform individual assessments of all upper- and middle- management personnel in an attempt to identify career orientations, assets and liabilities, and potential for growth within the organization. Each individual was required to complete a battery of tests and an in-depth, one-on-one interview. Feedback was provided to the individual and to his/her immediate supervisor in order to determine an appropriate career path within the organization.

A by-product of the assessments was the development of the Jr. Store Manager's profile. Using the manager's profile, Sunshine-Jr. Stores' field management personnel were able to better identify management candidates from either internal or external sources. In a labor market where good candidates for management positions are becoming scarce, this provided a valuable tool for effective selection of new employees to operate the company's convenience stores. Continued interviewing and testing allowed for reasonably sound recommendations for placement with the assurance that individuals would demonstrate a positive managerial and operational capacity.

The selection and hiring process currently being used by Sunshine-Jr. Stores for entry-level positions consists of traditional recruitment, interviewing, and reference checking. Every manager and supervisor received training on methods of accomplishing each of these skills for effective selection. Newly incorporated into the selection process was the pre-employment inventory.

EMPLOYMENT INVENTORY

The Employment Inventory is an alternative to honesty testing. While traditional honesty testing concentrates on negative personality traits and can forecast individuals who may engage in theft, drug abuse, and violent behavior, the employment inventory concentrates on a full range of behaviors related to motivation and dependability. This allows the Sunshine-Jr. company to predict productive as well as counterproductive behavior. The employment inventory is therefore an instrument that addresses behavior-based performance, not just obvious disruptive forms of behavior. Due to the increased nationwide criticism of honesty or integrity testing, and most recently the discontinuance of the polygraph as a preemployment screening device, Sunshine-Jr. Stores elected to select an instrument that interpreted performance behavior and possible length of employment.

RECOMMENDATIONS

The relationship between business and the community college system can only be viewed as a partnership that enhances the growth and interdependence of each. No longer can business view the community college system as only academic, but rather must view it as a partner capable of providing valuable assistance in the development of the company's human resources.

Community colleges need to seek out businesses to provide the student with a "real-life" learning environment to test the theories in relation to the actual skills and knowledge necessary to make the transition from the academic arena to that of successful contributor to the corporate culture.

Finding the appropriate linkages among businesses, communities, and the local community college is an activity that all service industries must undertake as they endeavor to meet the challenges of the highly competitive, customer-driven marketplace.

Sunshine-Jr. Stores has received a significant benefit from the program's outline. In fiscal 1988, employee turnover was effectively reduced 26 percent, which is 39 percent below the average for the convenience store industry. For the year, 1,903 people received a total of over 61,000 hours of training in the programs discussed. In addition the company experienced the positive effects of the major revision of two systems that were geared toward retention: the performance appraisal system; and selection and hiring training procedures.

As the industry continues to grow and change, it will be necessary for companies to do all that they can to retain trained employees. In the future these employees will become an even more important resource for the successful expansion of any convenience store operation. And as the

convenience store experiences the effects of advancing technology, it will need to rely more heavily on local colleges to provide the training to keep these people up-to-date.

The Sunshine State Skills Grant provided Sunshine-Jr. with an effective means of upgrading training at the store level and continues to provide opportunities for enhancing performance at all levels within the corporation. This particular grant is not unique to the state of Florida, however. Other opportunities are available in many states for companies to enjoy the type of business partnership that Sunshine-Jr. has experienced with Gulf Coast Community College.

Mitzi G. Cardenas is the assistant to the president, Corporate Communications, Sunshine-Jr. Stores, Inc. She came to the company in 1987 as the coordinator of company relations. In 1988 her title changed to human resource specialist. She worked with Jim Quintero on the programs discussed in this chapter.

Jim Quintero is coordinator of field training for Sunshine-Jr. Stores, Inc. He has been with the company since 1984. He was a district manager until his promotion to marketing representative in 1987. The programs discussed in this chapter were implemented under his direction.

SECTION D

SITE SELECTOR'S NEEDS AND INTERESTS

XI

SITE SELECTION SURVEY RESPONSES

By Tony Zeiss

National, state, and local interest in the economy has been escalating from many quarters in recent years. Broad concerns regarding the loss of jobs, the balance of the trade deficit, and the rapidly changing demographic mix of our work force are being expressed in the media daily. The focus for a solution toward maintaining or regaining a healthy local, state, or national economy is clearly on education and training in general and upon each community's ability to create or recruit new jobs specifically. Chapter II of this publication addresses the importance of educational involvement to help existing businesses prosper for job retention and expansion. This chapter will address the dynamic and highly competitive activity of job creation through business and industry recruitment.

PURPOSE

The purpose of this chapter is to present a detailed description of the primary interests of businesses and industries when selecting a new location for expansion or relocation. Very little current information exists regarding the selection, interests, or criteria used by expanding or relocating companies. Because of the scarcity of site selection information and the obvious need for the same, a descriptive research study was designed and implemented during the winter of 1988–1989.

Community college officials, as well as any agency or municipality interested in business or industrial recruitment, can use the results of this study to target the development of their recruitment strategies for optimum success.

METHOD OF RESEARCH

To achieve a broad-based look at the interests of site selectors, a survey was distributed to diverse businesses throughout the country. The survey instrument was designed from related literature and direct input from site selectors; it was validated via an editing process by an advisory committee. This committee was made up of eight business professionals who were or had recently been site selectors for their companies. The survey instrument (see Exhibit A, page 155) required 43 interest responses plus six responses regarding specific demographic data about the respondent's company. Each respondent, usually the chief executive officer or designee, answered each interest question by indicating whether the item

was "extremely important," "important," "not applicable," or "not important."

The companies surveyed were selected according to type, size, geographic location, years in operation, ownership type, and recency of site selection. A concerted attempt was made to survey businesses and industries that would represent a valid cross-section of site selection criteria currently regarded as important. To achieve this cross-section, 20 community college presidents representing 13 states distributed five to 10 surveys to chief executive officers or owners of a variety of business types, sizes, years in operation, ownership types, and recency of site selection. A total of 130 surveys were distributed. The data collected from the surveys were tabulated for each survey topic by the aggregate of respondents and by detailed categorical responses according to business type, size, and other demographic descriptions.

FINDINGS

Of the 130 mailed surveys, 78 were returned, representing an excellent response rate of 60 percent. This relatively small sample of companies provided a good snapshot view, considering that only 1,500 companies seek new locations or build new plants each year. Of the 78 businesses that returned completed surveys, 37 were manufacturing, 32 represented sales and service, and nine represented "other," that is, construction and architects. It should be noted that all research has inherent limitations, and the reader should be aware that the findings and conclusions of this research are no exception. First, the time of such studies is a critical factor to be considered when interpreting the data. Secondly, the size of the population surveyed, as compared to the total population of site selectors, relates to the validity of the data. It is believed that the data collected by this research are valid and will remain useful for the next several years as a baseline or benchmark for business and industrial recruiters. Certainly each business or industry will be unique, and the discerning economic development agency will seek to identify each prospect's uniqueness.

In an effort to present the collected data in an easily interpreted manner, each survey topic or question is presented twice: first, in the aggregate by three primary business categories; and then in comparative fashion so that the reader can determine the differences or topical items among the various business types. The following business types were surveyed:

RETAIL
SERVICE
WHOLESALE
MANUFACTURING
CONSTRUCTION
OTHER

To facilitate interpretation, the data were tabulated and are presented according to only three basic business categories:

(1) MANUFACTURING
(2) SALES AND SERVICE
(3) OTHER

The manufacturing category includes businesses that develop, produce, or assemble workable products, excluding farms and ranches. The sales and service category includes all retail, service, and wholesale businesses. The "other" category includes construction and all other businesses that were not primarily manufacturing, sales, or retail in nature.

The following eight tables represent the aggregate of the total responses by each of the three business categories. It should be noted that these tables present the broad view of site selector's interests and that they address only the collective responses that were in the "very important" and "important" response columns.

TABLE I

Site Location Survey Results–Very Important & Important Responses to Questions #1 through #21 Combined Averages

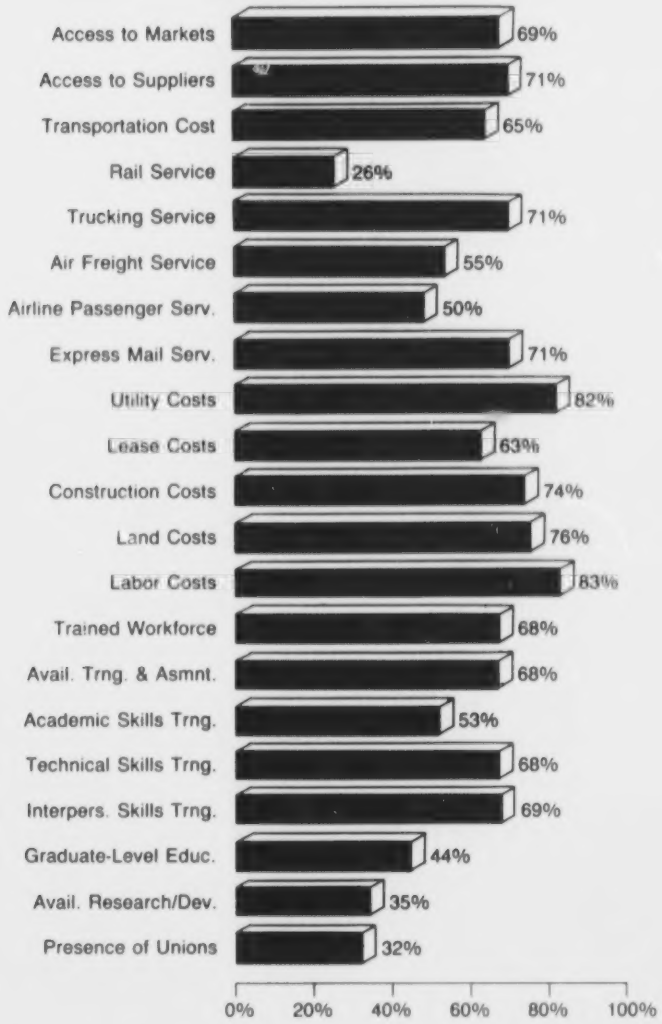


TABLE II

Site Location Survey Results–Very Important & Important Responses to Questions #22 through #43 Combined Averages

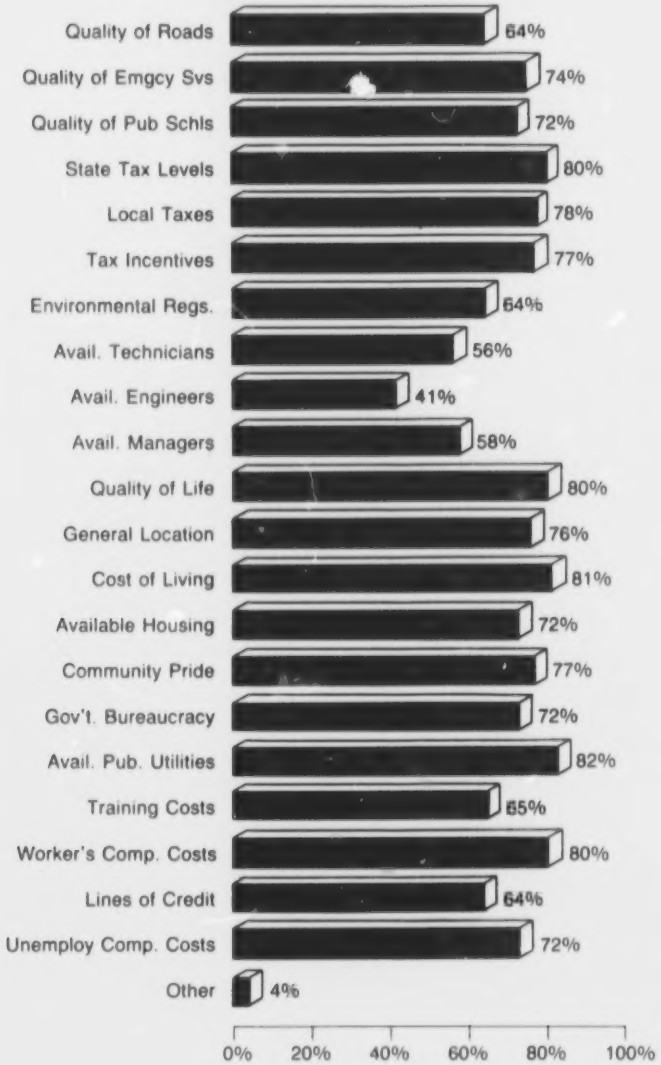


TABLE III

Site Location Survey Results–Very Important & Important Responses to Questions #1 through #21 For Manufacturing

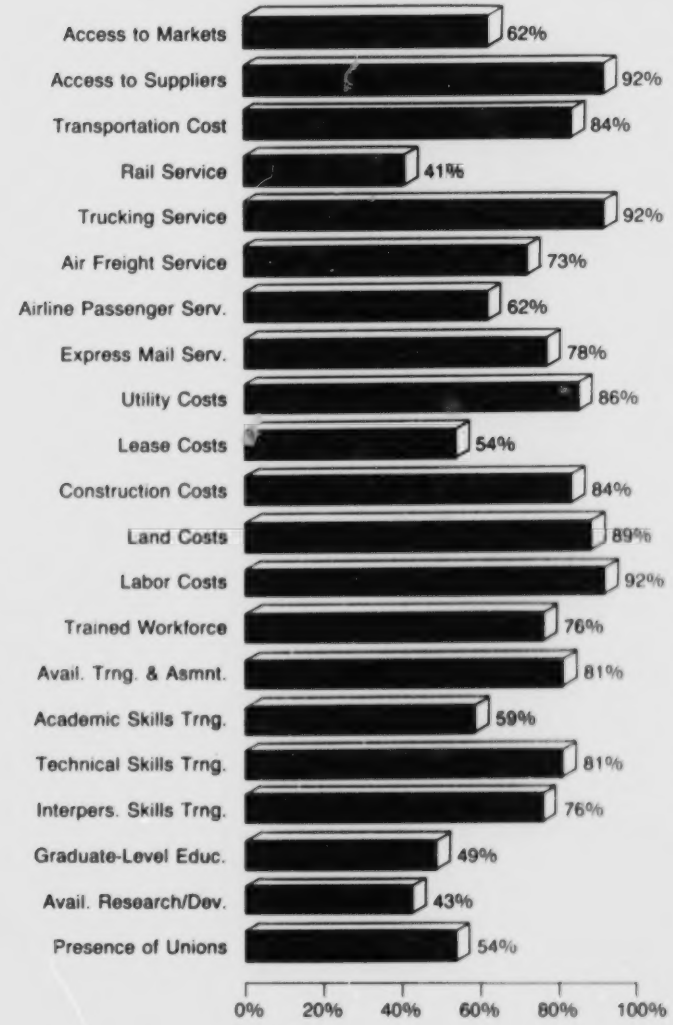


TABLE IV

Site Location Survey Results–Very Important & Important Responses to Questions #22 through #43 For Manufacturing

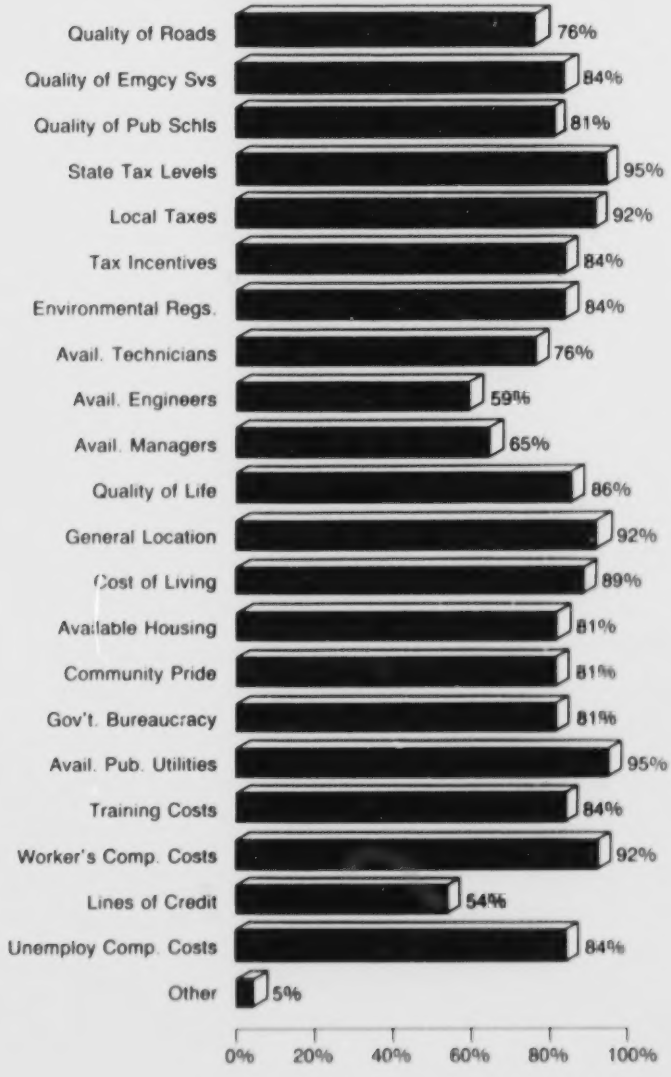


TABLE V

Site Location Survey Results–Very Important & Important Responses to Questions #1 through #21 For Sales & Service

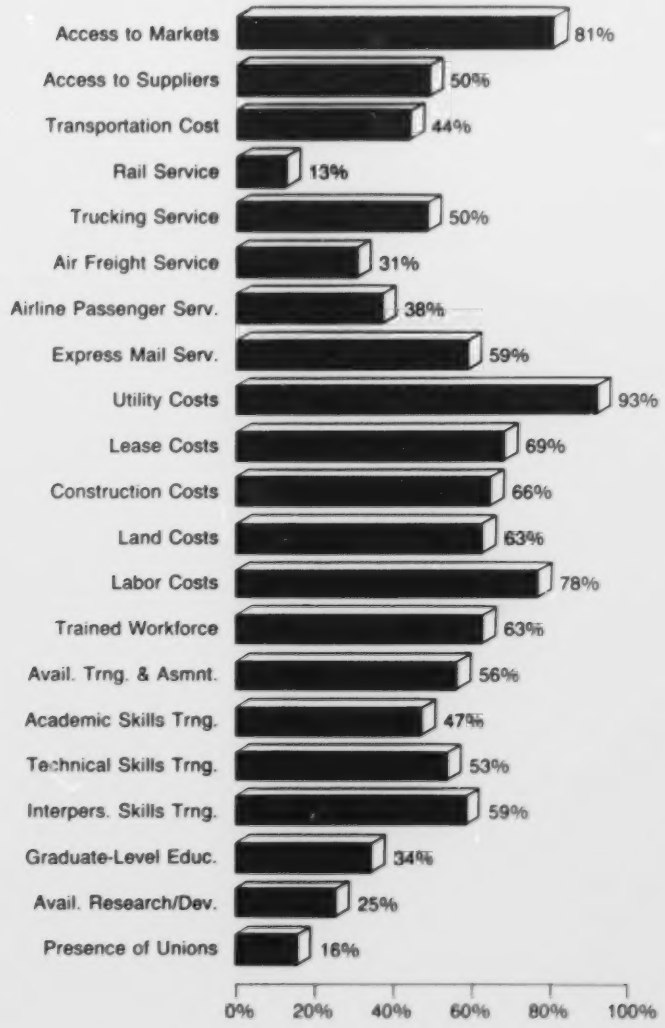


TABLE VI

Site Location Survey Results–Very Important & Important Responses to Questions #22 through #43 For Sales & Service

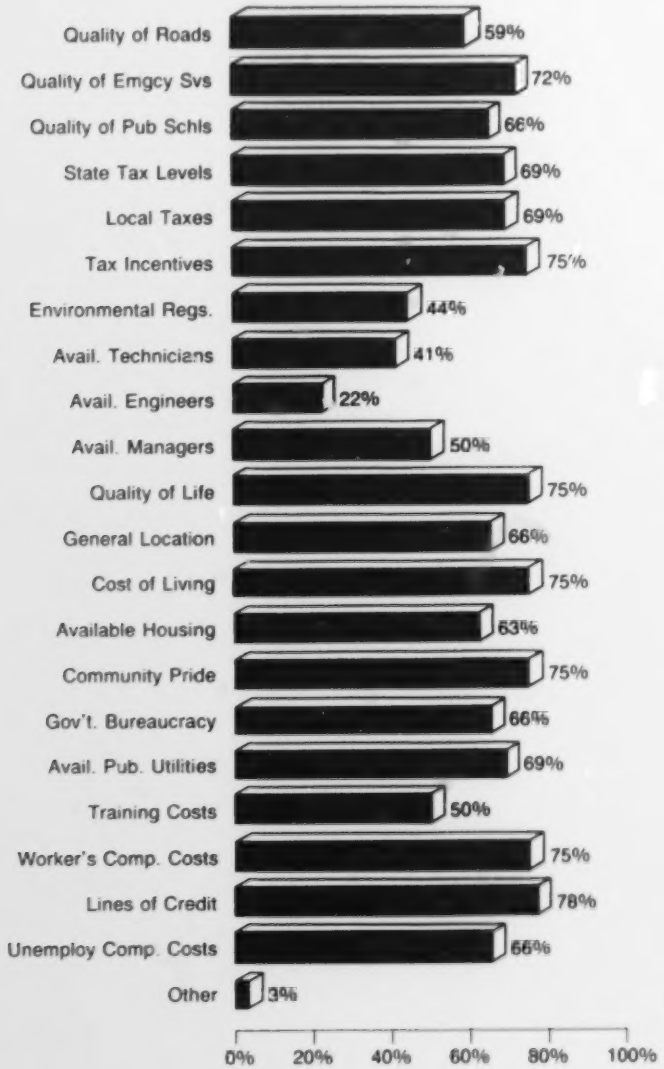


TABLE VII

Site Location Survey Results–Very Important & Important Responses to Questions #1 through #21 For Other Business Types

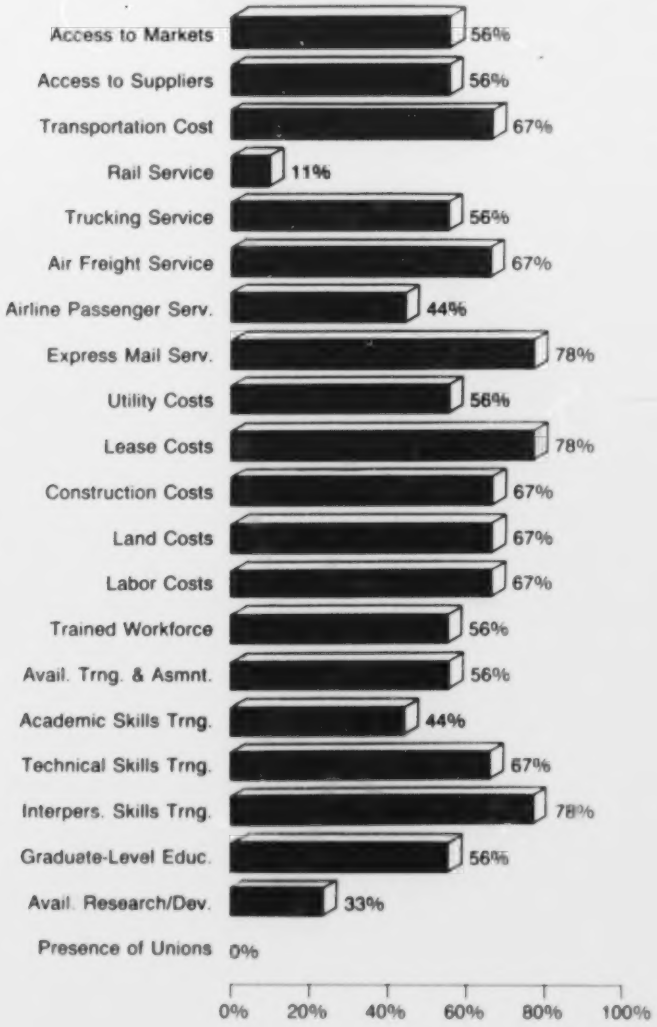
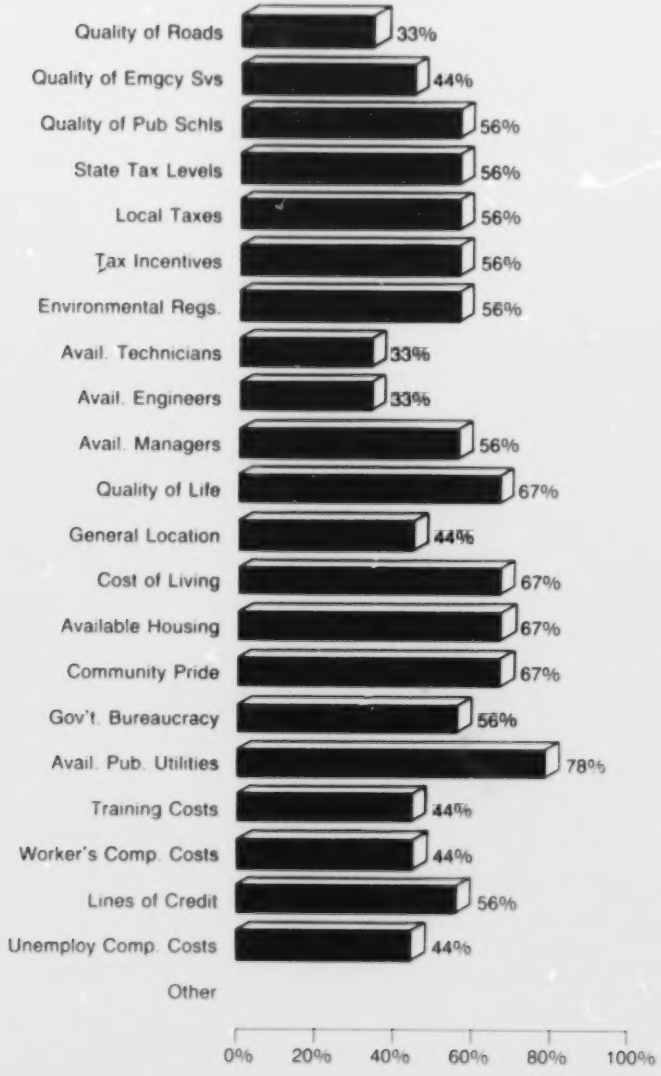


TABLE VIII

Site Location Survey Results–Very Important & Important Responses to Questions #22 through #43 For Other Business Types

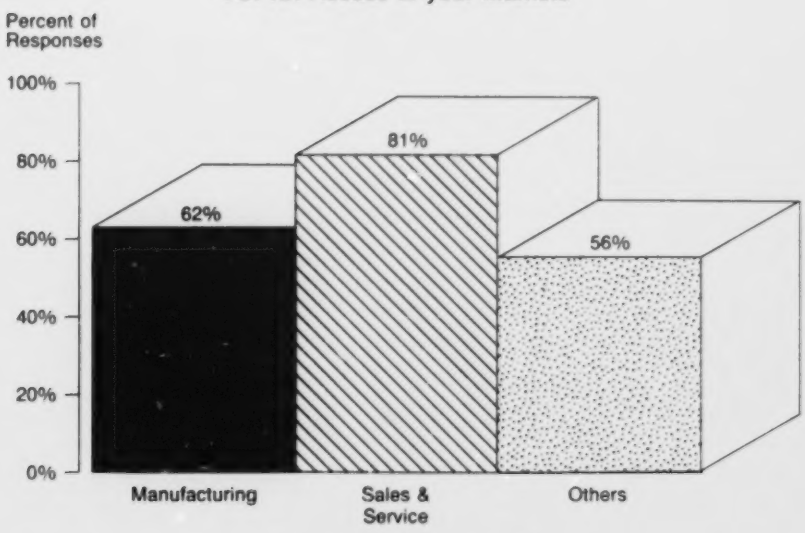


The following tables, IX through LI, present the responses to each survey topic in terms of its importance to each of the three main types of business categories; that is, manufacturing, sales and service, or "other" in a comparative fashion. The charts represent only the percentage of responses by each business category that were in the "important" and "very important" response columns.

This report of site-selector interests would not be complete without a succinct representation of the interests considered as "very important" and "important" by each categorical area. The following tables illustrate these interests as indicated respectively by manufacturing, sales and service, and other respondents:

TABLE IX

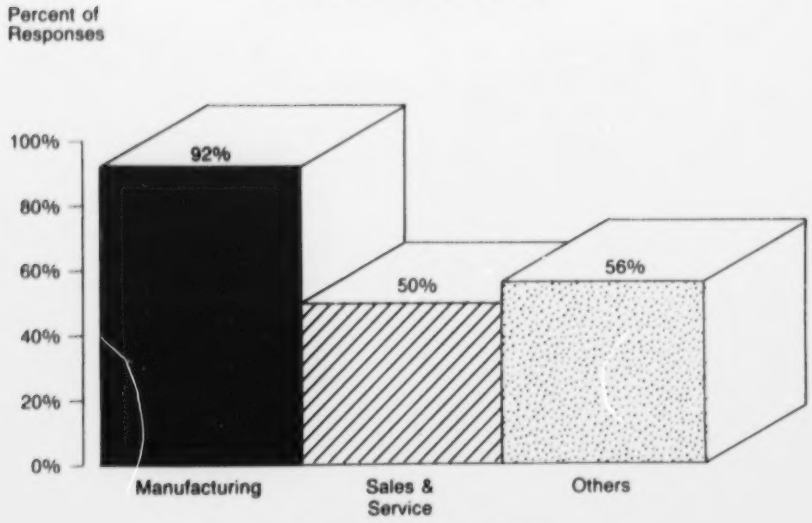
Site Location Survey
TOPIC: Access to your Markets



Very Important & Important Responses by Business Type

TABLE X

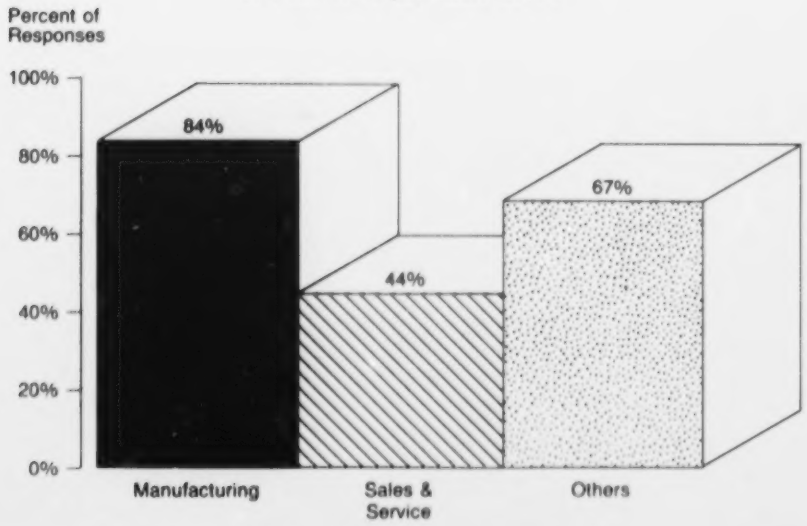
Site Location Survey
TOPIC: Access to Suppliers



Very Important & Important Responses by Business Type

TABLE XI

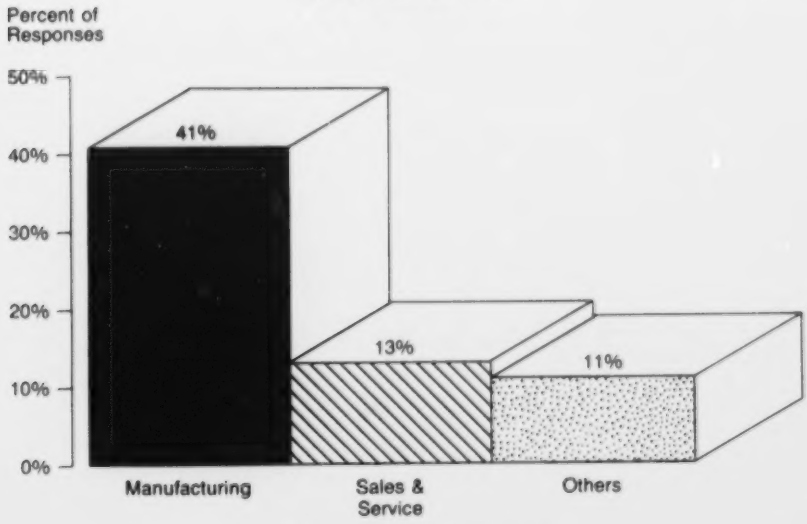
Site Location Survey
TOPIC: Transportation Costs



Very Important & Important Responses by Business Type

TABLE XII

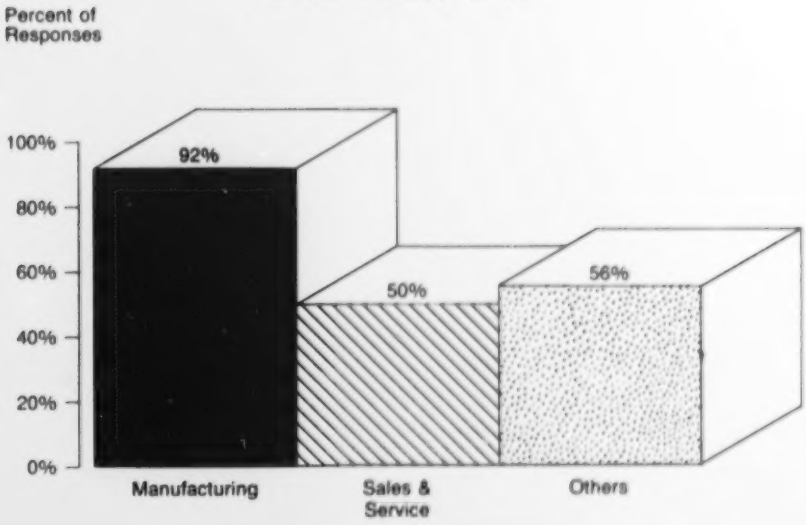
Site Location Survey
TOPIC: Rail Service



Very Important & Important Responses by Business Type

TABLE XIII

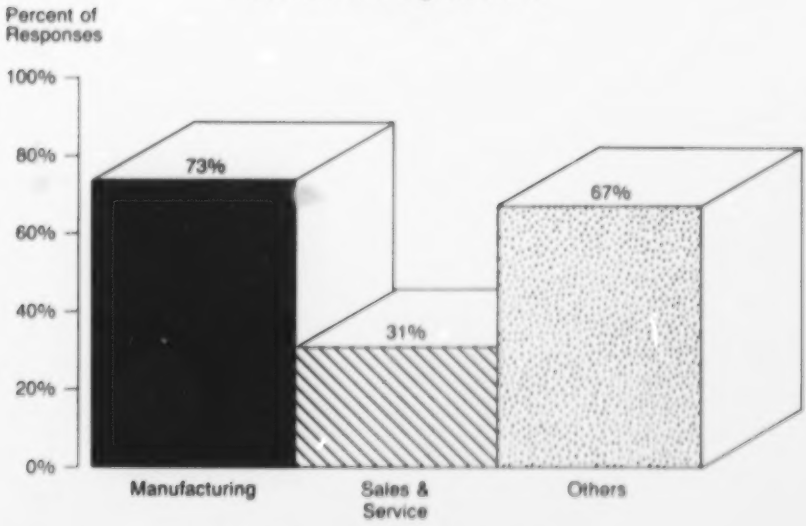
Site Location Survey
TOPIC: Trucking Service



Very Important & Important Responses by Business Type

TABLE XIV

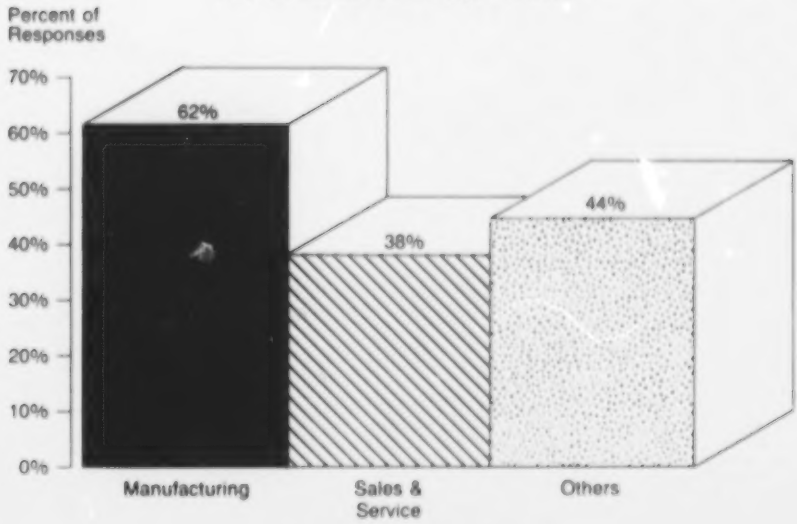
Site Location Survey
TOPIC: Air Freight Service



Very Important & Important Responses by Business Type

TABLE XV

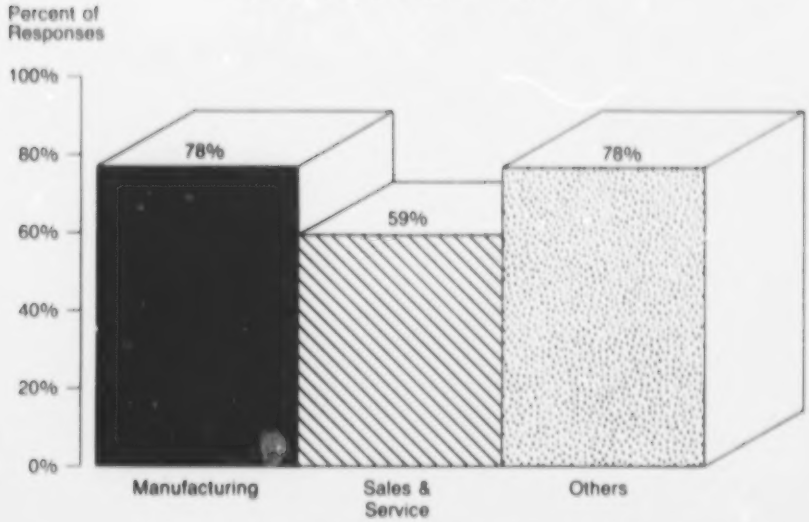
Site Location Survey
TOPIC: Airline Passenger Service



Very Important & Important Responses by Business Type

TABLE XVI

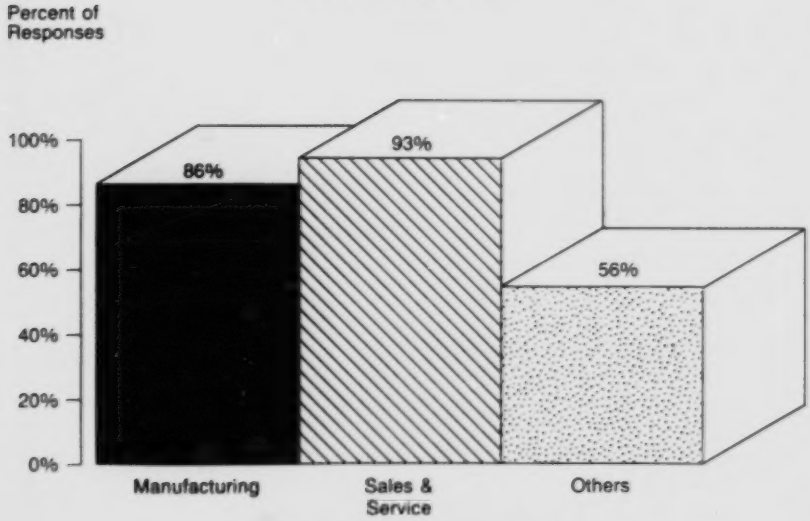
Site Location Survey
TOPIC: Express Mail Service



Very Important & Important Responses by Business Type

TABLE XVII

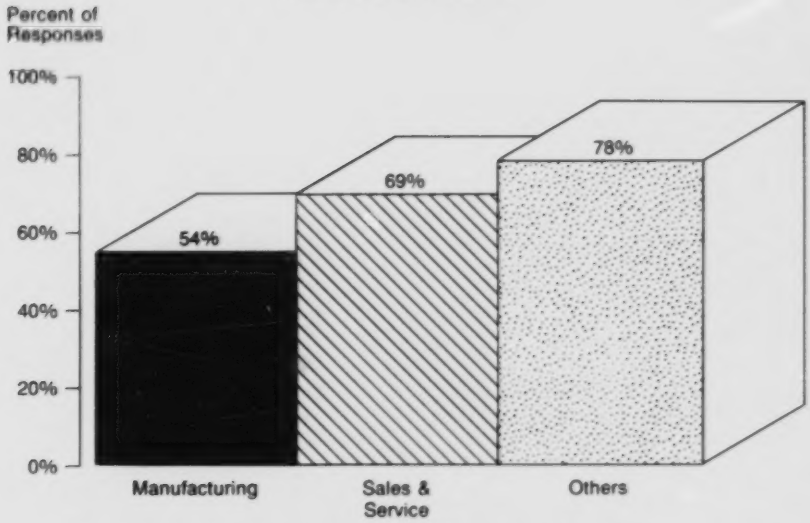
Site Location Survey
TOPIC: Utility Costs



Very Important & Important Responses by Business Type

TABLE XVIII

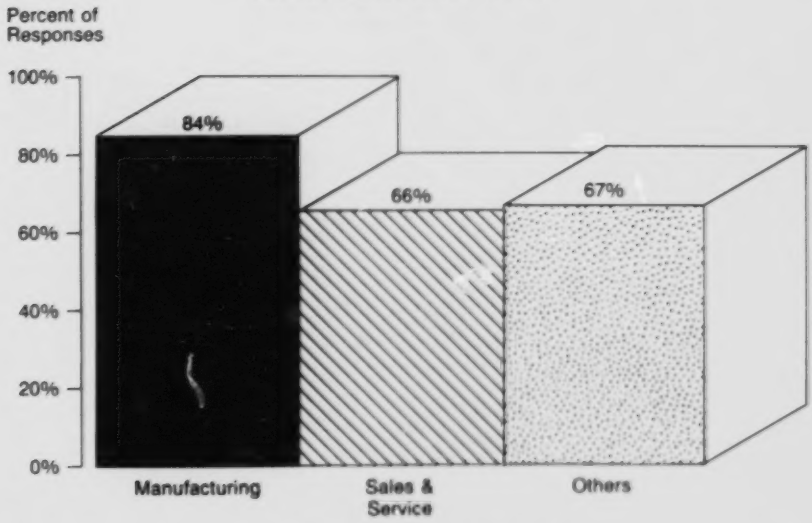
Site Location Survey
TOPIC: Lease Costs



Very Important & Important Responses by Business Type

TABLE XIX

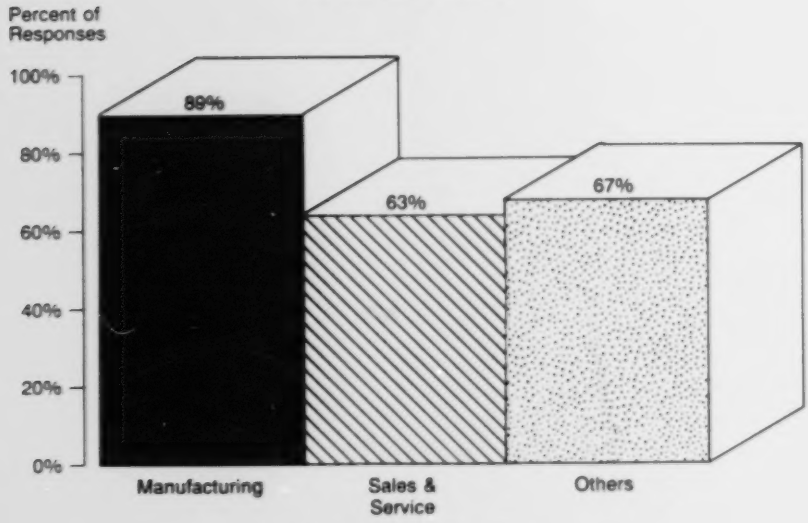
Site Location Survey
TOPIC: Construction Costs



Very Important & Important Responses by Business Type

TABLE XX

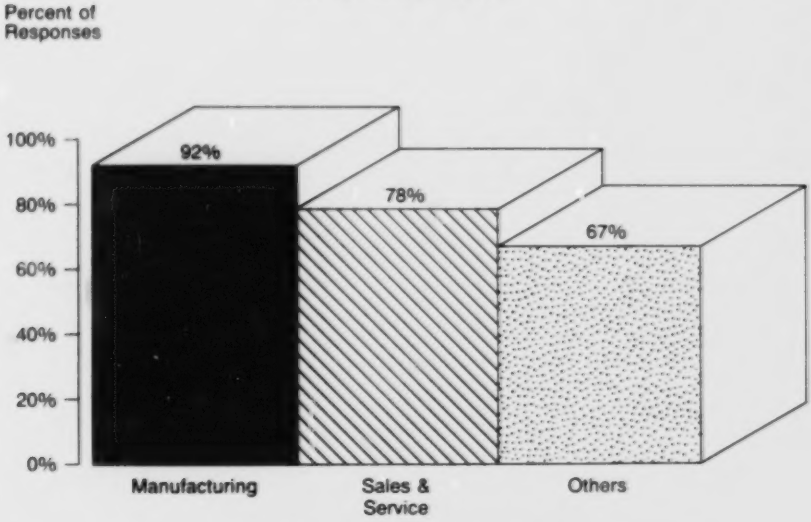
Site Location Survey
TOPIC: Land Costs



Very Important & Important Responses by Business Type

TABLE XXI

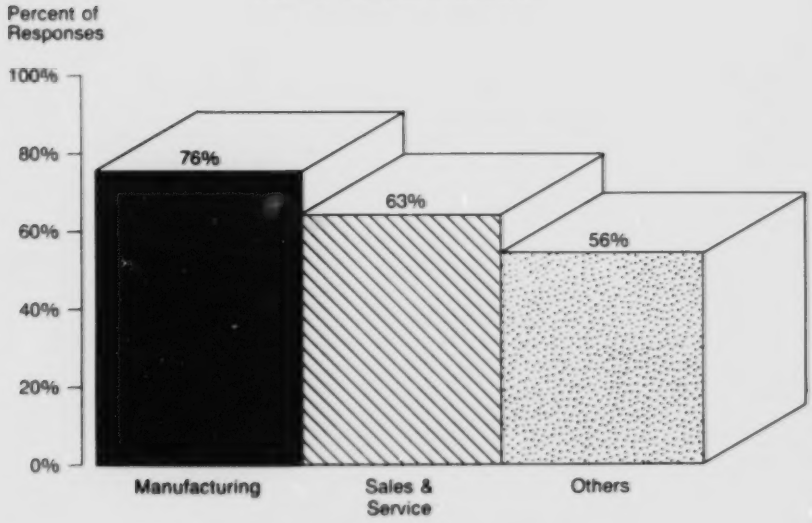
Site Location Survey
TOPIC: Labor Costs



Very Important & Important Responses by Business Type

TABLE XXII

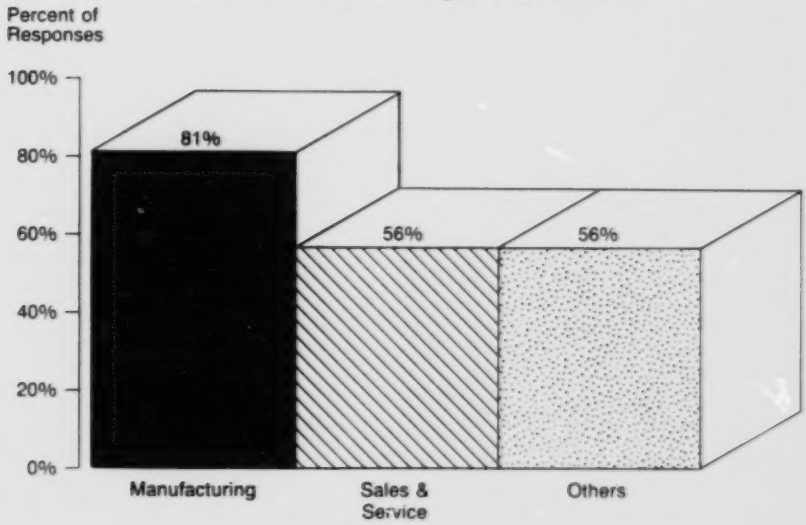
Site Location Survey
TOPIC: Trained Workforce



Very Important & Important Responses by Business Type

TABLE XXIII

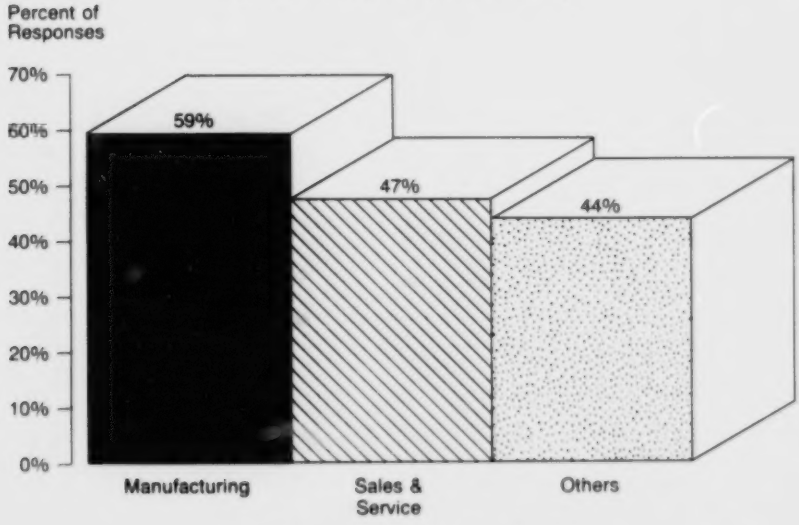
Site Location Survey
TOPIC: Available Training & Assessment



Very Important & Important Responses by Business Type

TABLE XXIV

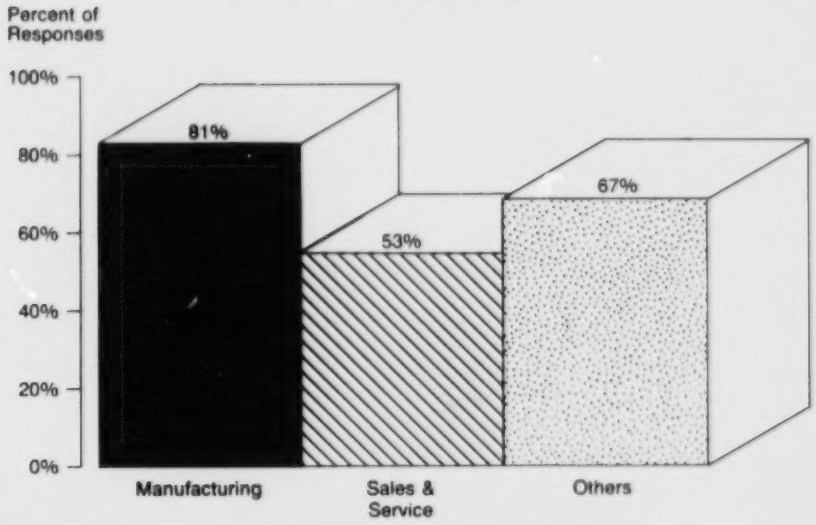
Site Location Survey
TOPIC: Academic Skills Training



Very Important & Important Responses by Business Type

TABLE XXV

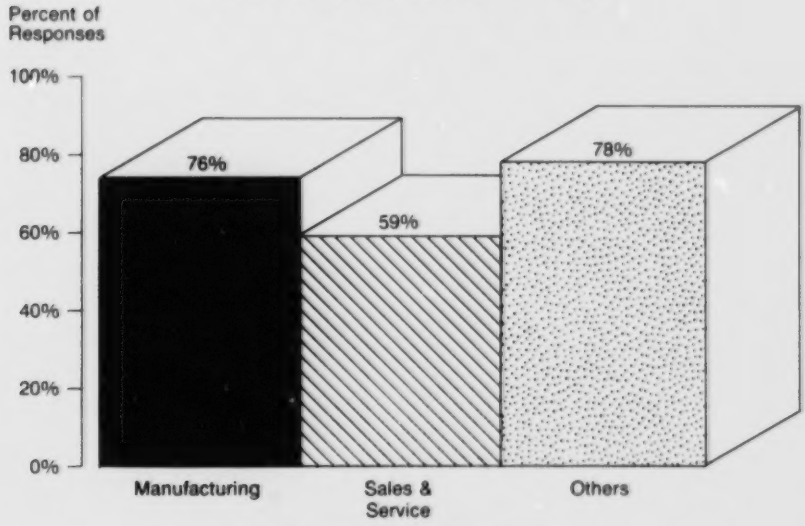
Site Location Survey
TOPIC: Technical Skills Training



Very Important & Important Responses by Business Type

TABLE XXVI

Site Location Survey
TOPIC: Interpersonal Skills Training

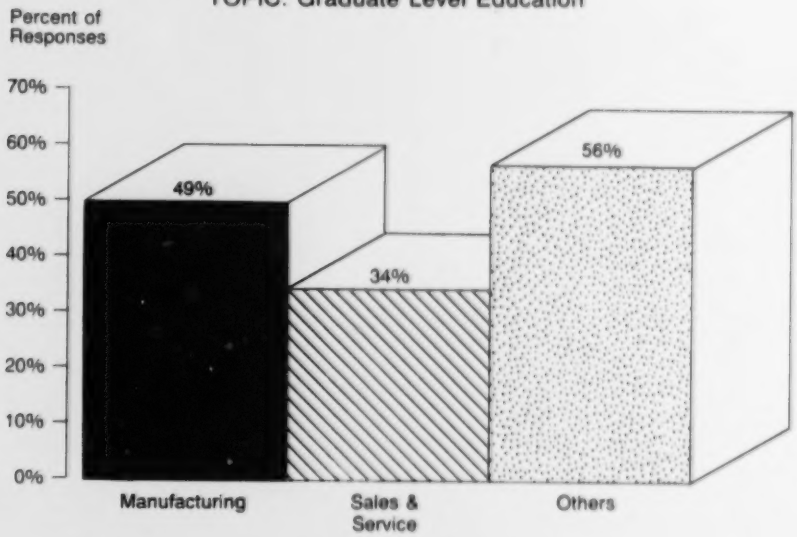


Very Important & Important Responses by Business Type

TABLE XXVII

Site Location Survey

TOPIC: Graduate Level Education

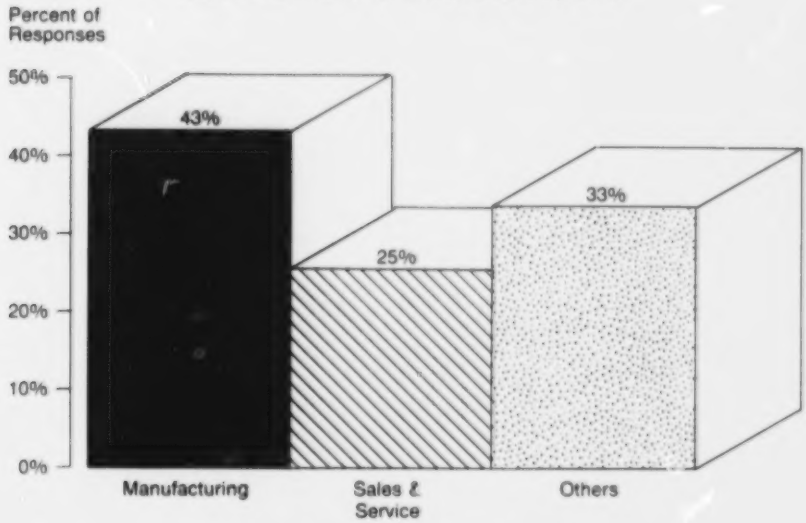


Very Important & Important Responses by Business Type

TABLE XXVIII

Site Location Survey

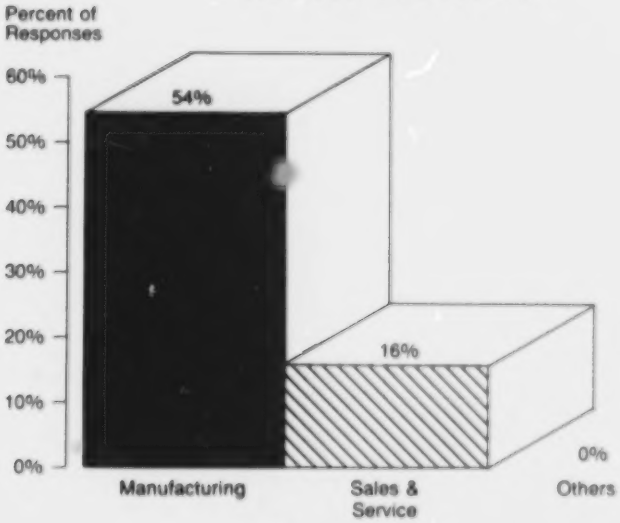
TOPIC: Available Research/Development



Very Important & Important Responses by Business Type

TABLE XXIX

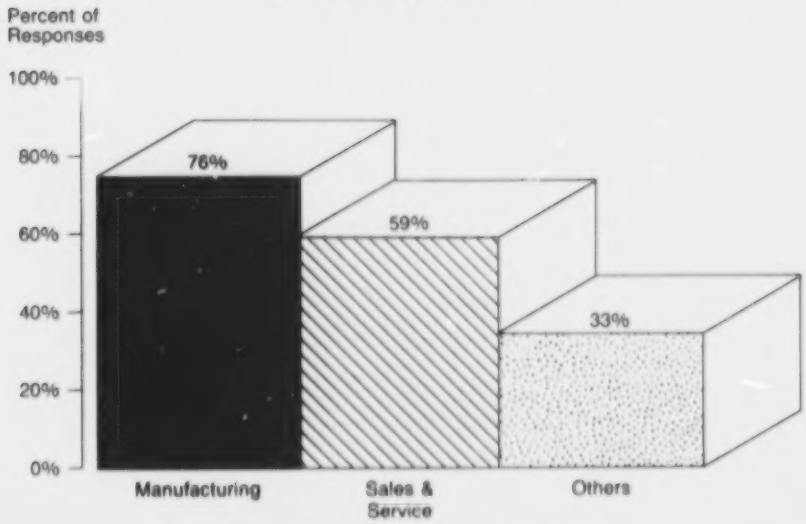
Site Location Survey
TOPIC: Presence of Unions



Very Important & Important Responses by Business Type

TABLE XXX

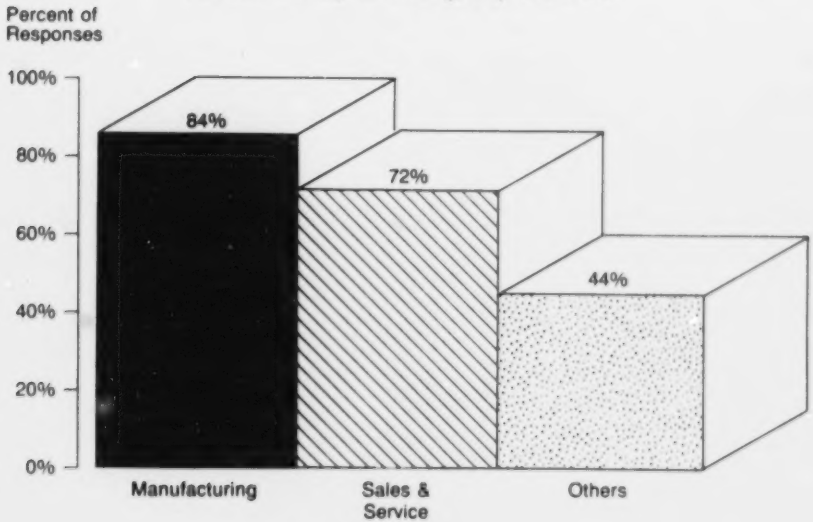
Site Location Survey
TOPIC: Quality of Roads



Very Important & Important Responses by Business Type

TABLE XXXI

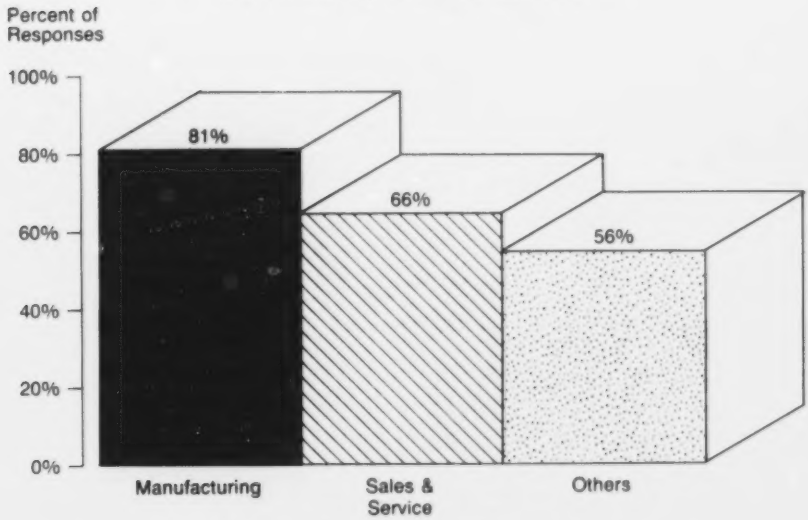
Site Location Survey
TOPIC: Quality of Emergency Services



Very Important & Important Responses by Business Type

TABLE XXXII

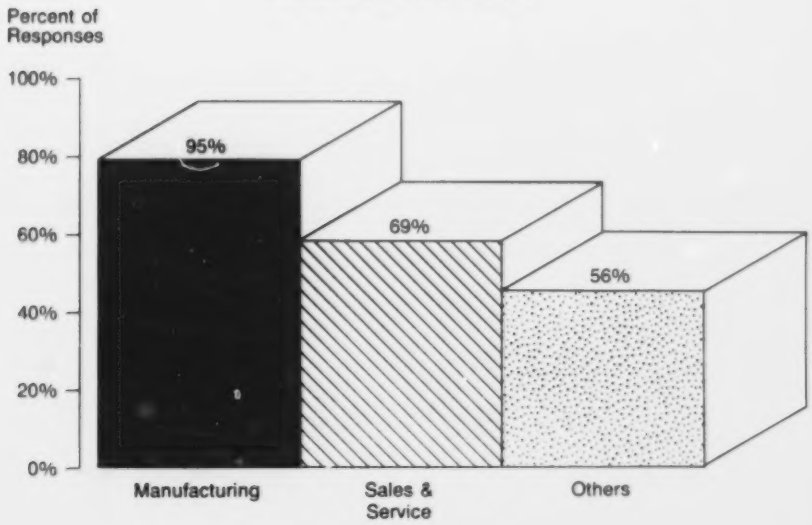
Site Location Survey
TOPIC: Quality of Public Schools



Very Important & Important Responses by Business Type

TABLE XXXIII

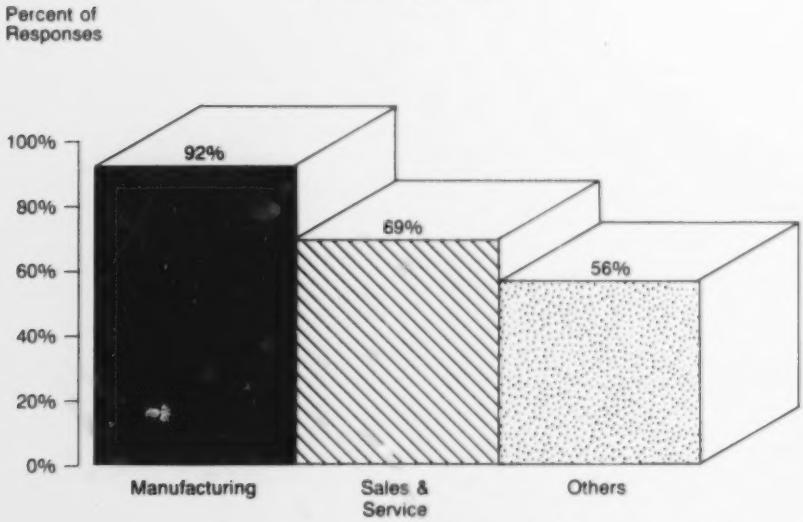
Site Location Survey
TOPIC: State Tax Levels



Very Important & Important Responses by Business Type

TABLE XXXIV

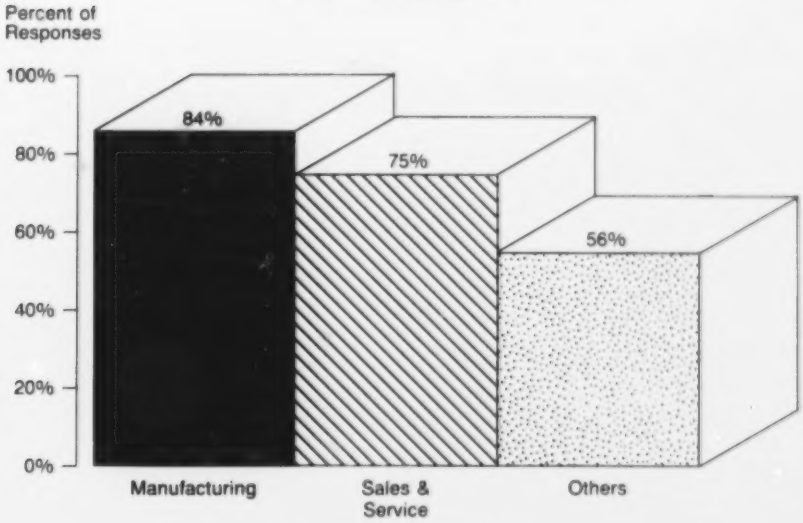
Site Location Survey
TOPIC: Local Taxes



Very Important & Important Responses by Business Type

TABLE XXXV

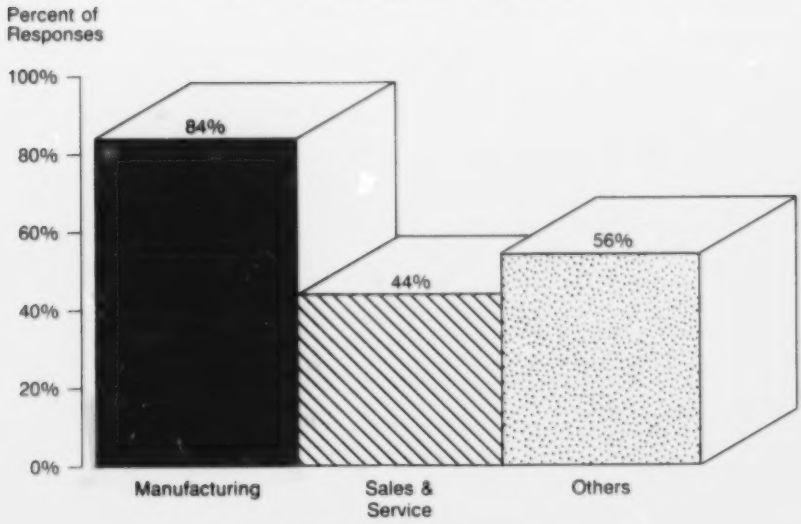
Site Location Survey
TOPIC: Tax Incentives



Very Important & Important Responses by Business Type

TABLE XXXVI

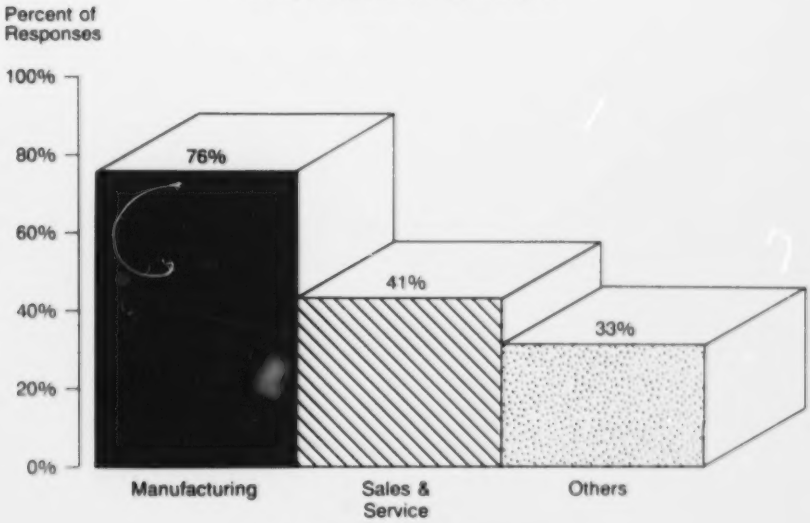
Site Location Survey
TOPIC: Environmental Regulations



Very Important & Important Responses by Business Type

TABLE XXXVII

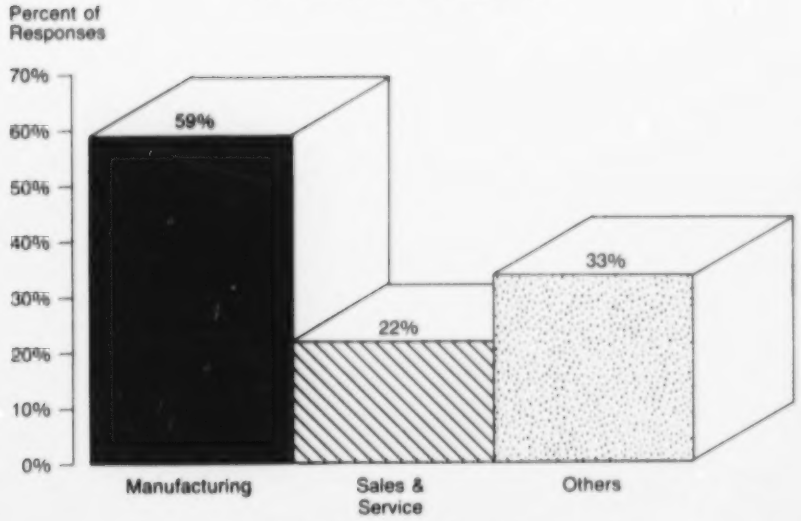
Site Location Survey
TOPIC: Available Technicians



Very Important & Important Responses by Business Type

TABLE XXXVIII

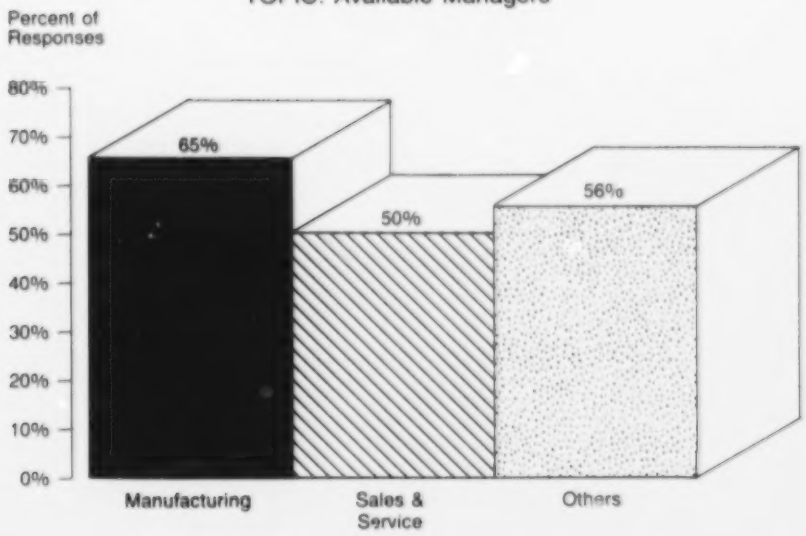
Site Location Survey
TOPIC: Available Engineers



Very Important & Important Responses by Business Type

TABLE XXXIX

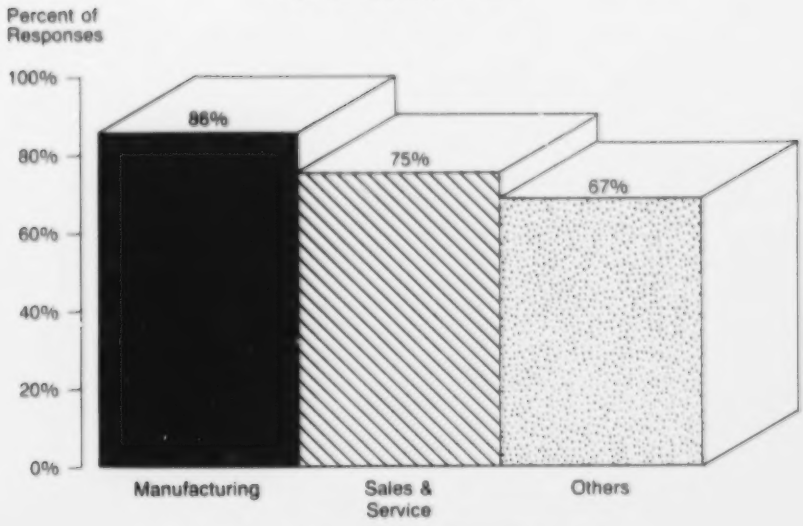
Site Location Survey
TOPIC: Available Managers



Very Important & Important Responses by Business Type

TABLE XL

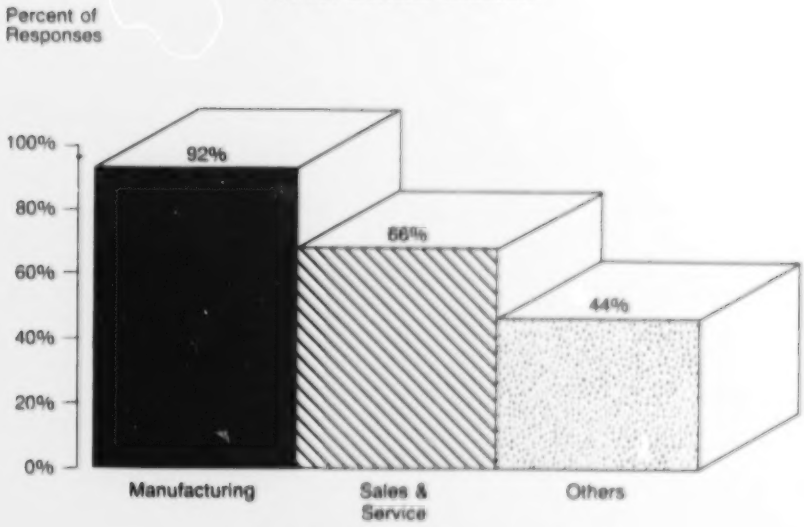
Site Location Survey
TOPIC: Quality of Life



Very Important & Important Responses by Business Type

TABLE XLI

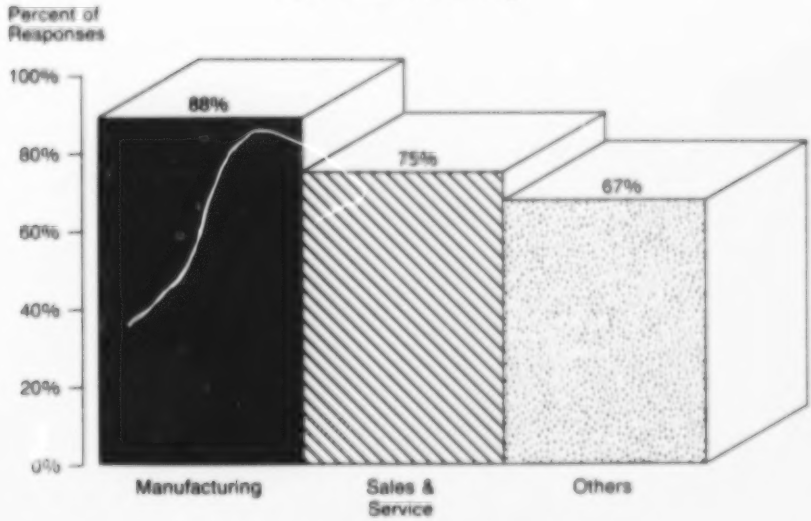
Site Location Survey
TOPIC: General Location



Very Important & Important Responses by Business Type

TABLE XLII

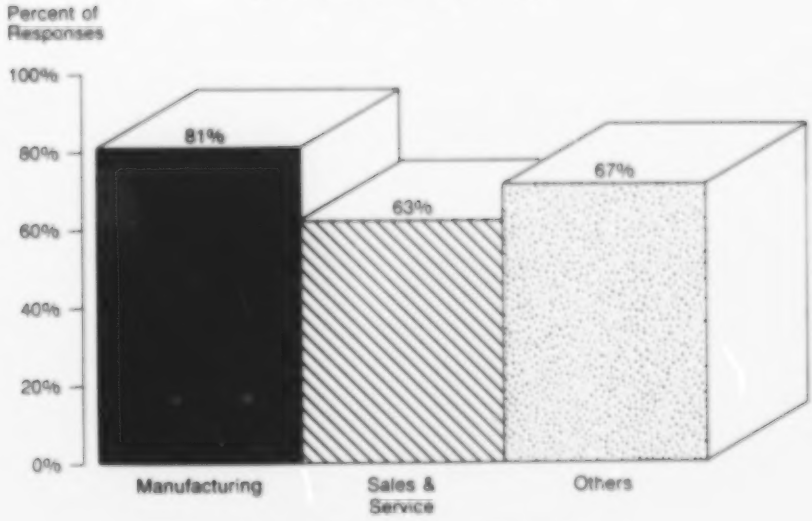
Site Location Survey
TOPIC: Cost of Living



Very Important & Important Responses by Business Type

TABLE XLIII

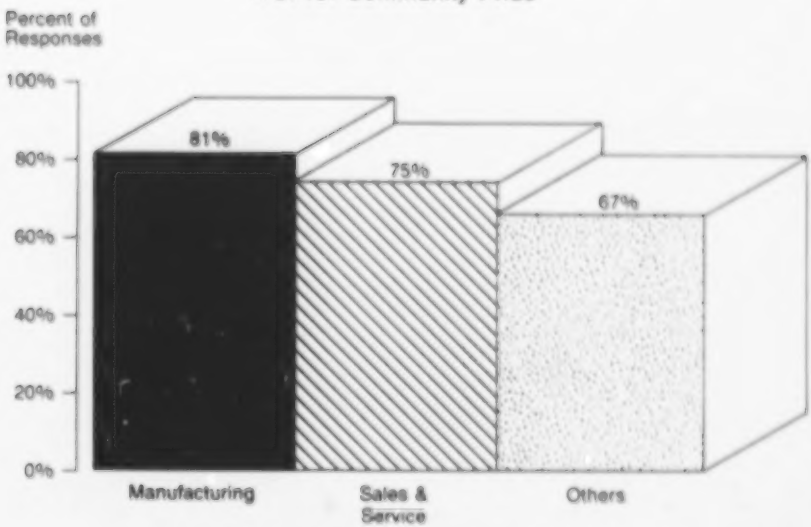
Site Location Survey
TOPIC: Available Housing



Very Important & Important Responses by Business Type

TABLE XLIV

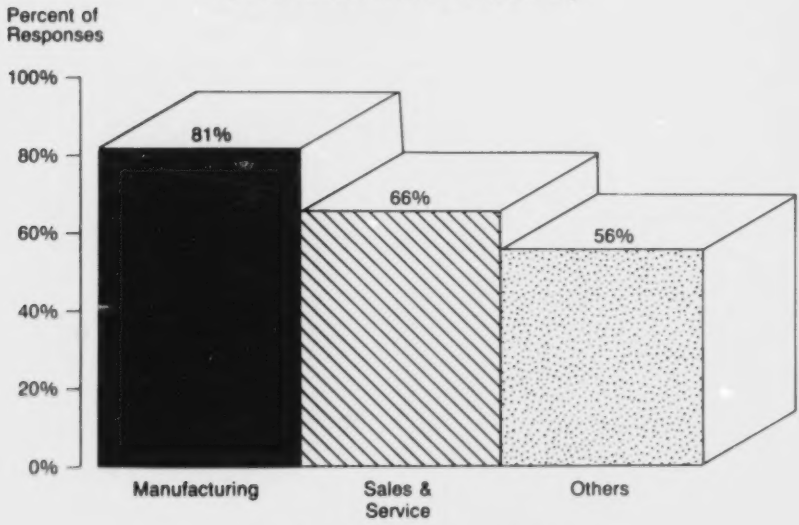
Site Location Survey
TOPIC: Community Pride



Very Important & Important Responses by Business Type

TABLE XLV

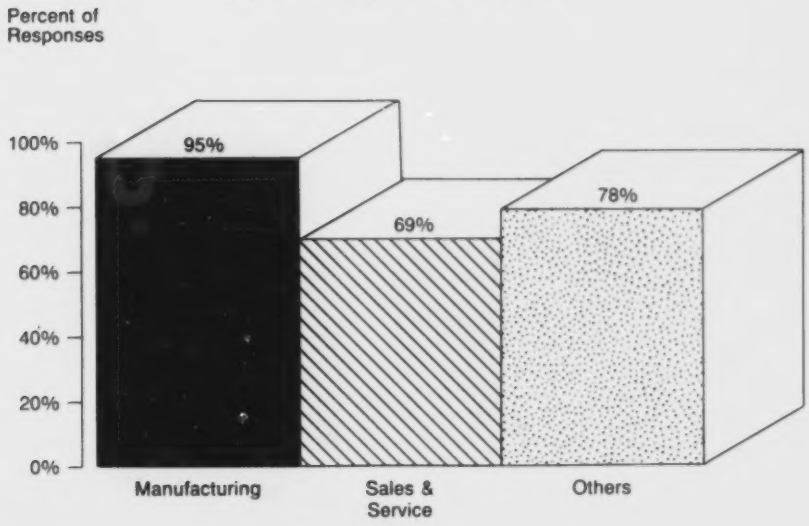
Site Location Survey
TOPIC: Government Bureaucracy



Very Important & Important Responses by Business Type

TABLE XLVI

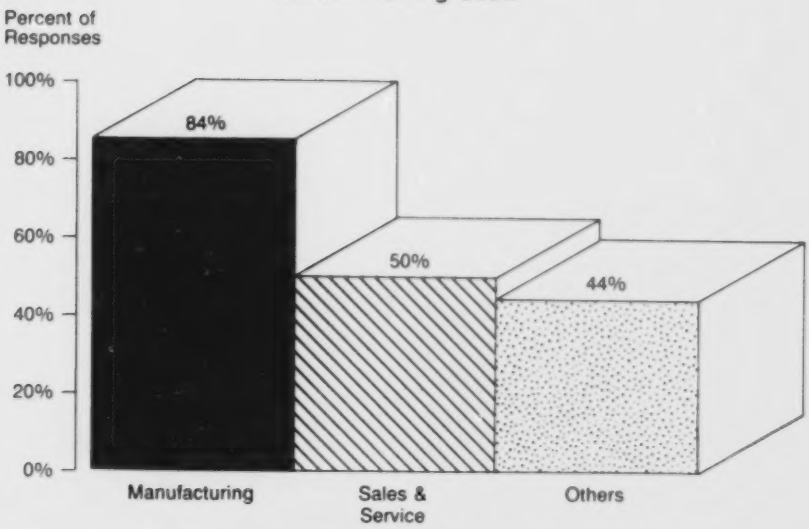
Site Location Survey
TOPIC: Available Public Utilities



Very Important & Important Responses by Business Type

TABLE XLVII

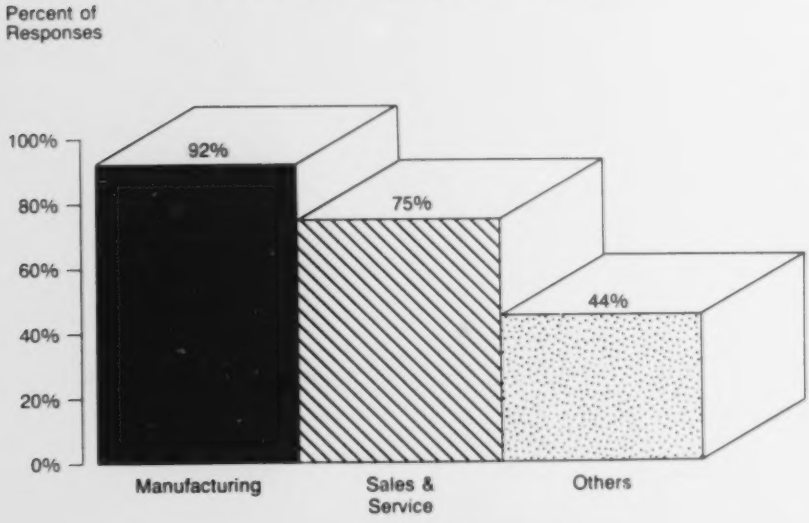
Site Location Survey
TOPIC: Training Costs



Very Important & Important Responses by Business Type

TABLE XLVIII

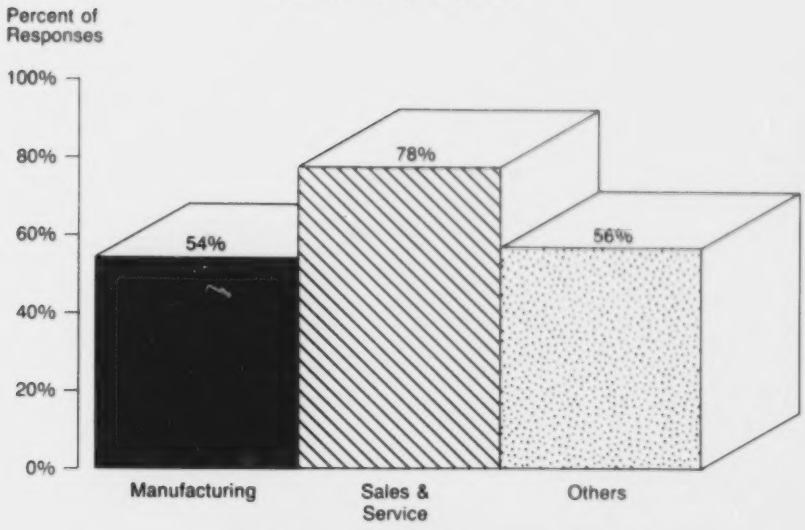
Site Location Survey
TOPIC: Worker's Compensation Costs



Very Important & Important Responses by Business Type

TABLE IL

Site Location Survey
TOPIC: Lines of Credit

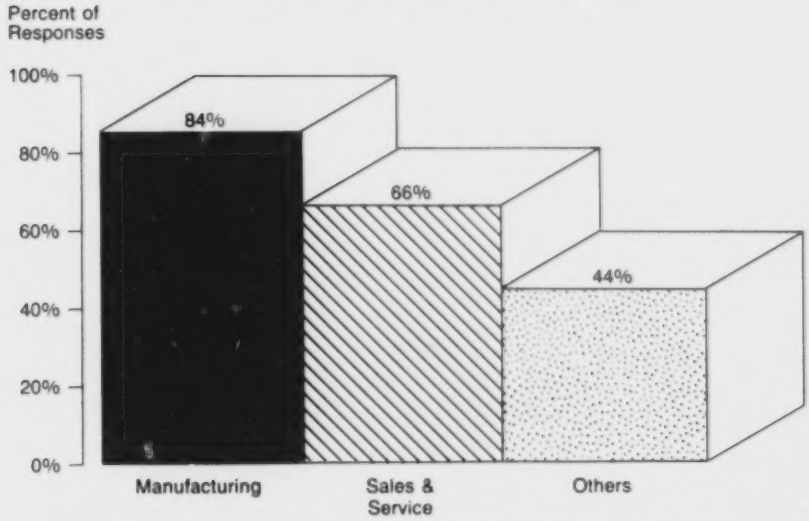


Very Important & Important Responses by Business Type

TABLE L

Site Location Survey

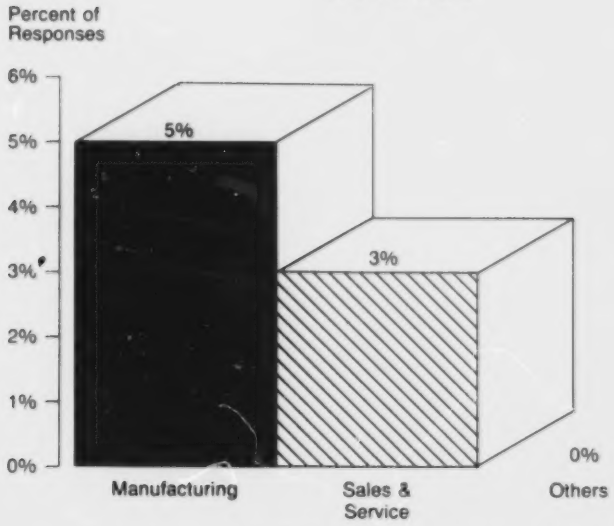
TOPIC: Unemployment Compensation Cost



Very Important & Important Responses by Business Type

TABLE LI

Site Location Survey
TOPIC: Other



Very Important & Important Responses by Business Type

CONCLUSIONS

From a review of the presented data, it is clear that site selectors for business and industry do have varying degrees of interest in a variety of topical items from "access to markets" to "costs of unemployment compensation." There are some areas of common interest regarding site selection among the business categories of manufacturing, sales and service, and others. These common interests occur where 50 percent or more of the respondents in each of the three business categories indicated that a survey topic was "very important" or "important." The survey topics that were commonly thought of as "important" by half or a larger percentage of business types were:

Access to Markets
Access to Suppliers
Express Mail Service
Utility Costs
Lease Costs
Construction Costs
Land Costs
Labor Costs
Trained Work Force
Available Training and Assessment
Academic Skills Training
Technical Skills Training
Interpersonal Skills Training
Quality of Public Schools
State Tax Levels
Local Taxes
Tax Incentives
Available Managers
Quality of Life
Cost of Living
Available Housing
Community Pride
Government Bureaucracy
Available Public Utilities
Lines of Credit

Three topical areas commonly ranked by all business types as being "not important" to their site selection process were:

Rail Service
Available Research and Development
Other (non-listed topics)

It should be noted that topical item number No. 21, "presence of unions," does not represent a valid response. The question could be interpreted either positively or negatively depending upon the respondent's point of view, thereby rendering the data for this topic invalid.

Perhaps the most interesting data is that related to topical areas ranked by a majority of the manufacturing companies as being "very important" or "important." Virtually every topical item regarding site selection was of concern to them with the exception of rail service, graduate-level educational services, and the availability of research and development. It can be concluded that a majority of the manufacturing companies seeking new plant locations are using air and trucking, but not rail services, for transportation and shipping. Further, the data substantiate the fact that a vast majority of employees in manufacturing require training and education

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below the graduate level. Less than 36 percent of the manufacturing respondents indicated that available research and development services were "important" or "very important." It is concluded that most manufacturing companies either do not need much research and development, or they prefer to conduct their own. It is assumed that many manufacturing companies exist in a highly competitive market, making their research and development highly sensitive and proprietary.

The sales and service businesses did not appear to be particularly interested in transportation costs, airline services, academic skills training, graduate-level education, or environmental regulations. As one would expect, the sales and service businesses' access to markets, general costs of doing business, general location, quality of life, training, and availability of lines of credit were all "important" or "very important." It is apparent that the sales and service businesses surveyed were more interested in topical areas that were local in nature.

Responding businesses categorized as "other," including construction companies, architects, and the like, were generally interested in the availability of educated and trained workers, the overall quality of life, transportation costs, access to suppliers, governmental regulations, and available utilities. Those respondents from the "other" category were not as homogeneous as the collective respondents in the manufacturing and sales and service categories. The diversity might explain the lack of a clear common thread of interest among the respondents in the "other" category. For instance, 55 percent of the "other" respondents indicated that graduate-level educational services were "important" or "very important," yet only 44 percent of the same respondents listed academic skills training as "important."

One can draw many conclusions from the data presented, but the real value lies in the information itself and the fact that it is comprehensive, current, and timely. Any community college official, economic development professional, or business person can view the data with his/her perspective and needs in mind. The tables, particularly IX through IL, should be extremely useful as a "standard" guide for business recruitment. These tables should also be useful to communities and economic development agencies as a tool for strategic planning, the preparation of formal presentations, and developing an overall awareness level for those persons who are uninitiated in business recruitment.

Tony Zeiss is president of Pueblo Community College, Pueblo, Colorado.

EXHIBIT A
SITE LOCATION SURVEY

In order to more efficiently assess the major site location interests of new expanding companies, we ask your assistance in completing the following brief survey. If your business has made a site selection in the past 10 years, please let us know the importance of each item as it most closely applies to the needs of your business. (This survey is strictly confidential.)

	Very Important	Important	Not Applicable	Not Important
1. Access to your Markets				
2. Access to Suppliers				
3. Transportation Costs				
4. Rail Service				
5. Trucking Service				
6. Air Freight Service				
7. Commercial Airline Passenger Service				
8. Express Mail Service				
9. Utility Costs				
10. Lease Costs				
11. Construction Costs				
12. Land Costs				
13. Labor Costs				
14. Trained Workforce				
15. Availability of Training and Assessment				
16. Academic Skills Training				
17. Technical Skills Training				
18. Interpersonal Skills Training				
19. Graduate-Level Education				
20. Available Research/Development				
21. Presence of Unions				
22. Quality of Roads				
23. Quality of Fire, Police, Medical Facilities				
24. Quality of Public Schools				
25. State Tax Levels				
26. Local Taxes				
27. Tax Incentives				
28. Environmental Regulations				
29. Availability of Technicians				
30. Availability of Engineers				
31. Availability of Managers				
32. Quality of Life				
33. General Location				
34. Cost of Living				
35. Available Housing				
36. Community Pride				

	Very Important	Important	Not Applicable	Not Important
37. Local and State Government Bureaucracy				
38. Availability of Water, Sewer, Electrical, Gas Services				
39. Training Costs				
40. Worker's Compensation Costs				
41. Lines of Credit				
42. Unemployment Compensation Costs				
43. Other				

Type of Business
1. Retail ____
2. Service ____
3. Wholesale ____
4. Manufacturing ____
5. Construction ____
6. Other ____

Number of Employees:
1. 5 or less ____
2. 6–10 ____
3. 11–25 ____
4. 26–50 ____
5. 51–100 ____
6. 101–250 ____
7. 251–500 ____
8. 500 or more ____

Business Ownership:
1. Privately held ____
2. Public ____
3. Corporate ____
4. Partnership ____
5. Sole Proprietorship ____

Years in Operation:
1. New ____
2. 1–3 years ____
3. 4–10 years ____
4. Over 10 years ____

Why did/do you need to select a new site?
1. New business ____
2. Expanding business ____
3. Need new business climate ____
4. Major customer/contract influence ____
5. Other ____ Describe _____

Who made/will make the site location decision?
1. Board of directors ____
2. Owner ____
3. CEO ____
4. Committee ____
5. Other ____ Describe _____

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SECTION E

INDUSTRIAL RECRUITMENT: ADVICE FROM BUSINESS AND INDUSTRY

XII

SELECTING A SITE

By Robert M. Ady

The purpose of this chapter is to assist the reader to better understand the facility location process from the viewpoint of the industrial site seeker. It provides unique insights into how companies select locations for new facilities and how they interact with community economic development representatives during the process.

For over 70 years, PHH Fantus Corporation has been a consultant to companies seeking to expand or relocate manufacturing facilities, offices, warehouses, and research and development operations. The company has completed over 6,000 such assignments representing large and small businesses, domestic and foreign, at locations scattered throughout the world.

From this experience, PHH Fantus has developed a basic methodology that provides an orderly approach to site selection. Although this approach cannot be used in every case, and there are more sophisticated and detailed approaches used by PHH Fantus, the one described below is of greatest benefit to the beginning practitioner.

STEPS IN THE SITE SELECTION PROCESS

Whether companies are seeking a new location for an office or a manufacturing facility, the basic steps in the process are similar. First, the company will need to establish the primary objectives and requirements for the new facility. This includes not only defining space and workforce requirements, but also—and more importantly—the corporate strategic objectives for the facility.

Once the locational factors for the facility have been identified by the company, it will begin to define the overall geographic boundaries or area of search to consider. Typically, this process focuses on the most important locational factors as set forth in the strategy. It is used to reduce the search to that area, or those locations, that offer the greatest potential to meet project requirements.

Within the search area, specific communities are analyzed during this step of the process. The objective of this step is to eliminate as many communities as possible and thus reduce finalist candidates to a handful or fewer.

The next step is to commence field work in earnest in each finalist location. This involves meeting with local leadership and interviewing local employers in the community. Based upon field visits and data gathered,

a final recommendation is made to top management and the board of directors identifying the optimal community for the new facility. All reasons are presented along with detailed back-up documentation.

Assuming board approval, the final step commences, which includes site or building purchase, negotiation, and facility start-up. This implementation phase could take a year or longer depending on the project, whereas the site selection process itself usually takes from four to six months.

FORMULATION OF OBJECTIVES

Formulation of the objectives for the new facility is of critical importance and will affect the entire facility location process. Companies that have not carefully set forth goals and objectives for the new facility will have great difficulty in selecting locations and will probably never locate the facility—at least not until they have better defined their requirements. Such ambiguity creates great difficulty for area development representatives trying to respond to company inquiries and can result in heated arguments among the members of the company site selection team.

In terms of requirements it is imperative for the company to develop, identify, and understand the strategy for the new facility. If it is a manufacturing plant, it may be to better serve existing markets, reduce manufacturing costs, or equalize competition. If it is an office/administrative facility, it may be to tap a more productive labor pool, take advantage of certain state tax laws or improve space layout.

Usually the top management of a company is involved in this process. Frequently, a professional consulting firm like PHH Fantus is involved. Here such techniques as decision analysis and consensus building are used to help quantify various subjective factors.

Once the strategy is set, specific project parameters can be developed. These include a basic definition of the facility as well as other factors identified as keys to success of the new operation.

Project specifications typically focus on the following:

Labor:	number, skill level, work week, etc.
Transportation:	raw material requirements and markets to be served
Utilities:	quantities of electricity, gas, water, and sewer needed
Environmental:	airborne, solid, and liquid wastes generated by the facility
Investment:	expected expenditures on site, building, and machinery and equipment
Occupancy:	size, layout, etc. of proposed facility

In addition to these quantifiable features, the company will usually

have a long list of subjective factors of importance identified as necessary for success.

Subjective factors represent those considerations that cannot be directly or conveniently converted into dollars and cents for analysis. However, it is these factors that are growing in importance in the site selection process.

Based upon recent PHH Fantus experience, the single most important location criterion today is the availability of a qualified work force. This suggests a level of education and training that is responsive to industry needs.

DEFINING THE AREA OF SEARCH

This step in the location process is one of the most difficult for the company and troublesome for area representatives to understand. However, if it is remembered that the site-selection process is one of elimination, this step takes on great logic. It is during this step that vast areas of the world, or the country, or the region, or the area, are eliminated.

If the site search starts with a basic premise that all locations in the United States should be included, then a way must be found to reduce this number to a manageable size. The universe must be reduced—it is accomplished by the process of elimination. Frequently, area development representatives do not understand this and assume companies are seeking information because they want to locate in their community. This is wrong—companies are seeking information so they can eliminate their community.

In determining the geographic boundaries for the project, companies will frequently use raw material accumulation costs, transportation costs to market, and possibly labor costs to establish the broad search area. Representative locations are selected throughout the entire broad area under consideration to determine rough approximations of key operating costs differences. As many as 20 to 50 or more such representative locations may be selected from which to compute these geographic costs. The table below illustrates such costs for a hypothetical manufacturing plant employing 100 semi-skilled workers with five key markets and two principal raw materials needed for production.

	Location A	Location B	Location C
Labor			
Semi-skilled Rates (per hour)	$ 8.50	$ 9.10	$ 7.85
Annual Cost (2,000 hours per worker)	$1,700,000	$1,820,000	$1,570,000
Transportation			
Outbound to Market			
Market A	$ 250,000	$ 325,000	$ 400,000
Market B	183,000	177,000	209,000
Market C	125,000	162,000	350,000
Market D	75,000	120,000	135,000
Market E	450,000	295,000	230,000
Inbound from Source			
Source 1	650,000	600,000	720,000
Source 2	87,000	60,000	105,000
Annual Cost	1,820,000	1,739,000	2,149,000
	$3,520,000	$3,559,000	$3,919,000

Obviously, if a company had significant electric power requirements, investment levels, building needs, etc., these other cost factors would be added to the labor and transportation cost analysis. Alternatively, labor and transportation would be dropped from the analysis if either or both were inconsequential.

Before "finalizing" the area of search, it is typical at this stage to introduce key knockout factors. These might include such considerations as proximity to competitor locations, an unfriendly state tax climate, the absence of state right-to-work legislation, or some other factor that is general in nature rather than location-specific.

At the conclusion of this step, the company will have defined, roughly or precisely, the geographic area or boundaries in which it will concentrate its site-seeking effort. This area could represent a number of contiguous states, parts of states, a region, a sub-region, or even a smaller geographic area. The size of the area depends on the requirements of the company and the ability of given areas to satisfy those requirements.

SCREENING COMMUNITIES

Once the area of search has been defined, the process of systematically contacting communities begins. It is quite possible that community representatives have had no knowledge of the project to this point. Frequently companies will supply detailed questionnaires asking for various

information important to the project. Responses must be complete, accurate, and timely; otherwise, the respondent area could be eliminated.

Information requested usually falls into one of four categories: operating cost factors—those that can be measured in terms of dollars and cents; operating condition factors—those that directly affect the operation of the facility; living condition factors—those associated with quality of life; and site/building factors—those associated with the physical property under consideration.

At this stage as many as five to 20 or more locations may receive questionnaires or telephone contact by the company or its consultant. One form of questionnaire is shown at the conclusion of this chapter. This particular questionnaire is formatted for computer retrieval.

Regardless of the form of information requested, answers should be honest and direct. Companies and consultants frequently know the answer to key questions being asked, and responses to those questions represent a check on the accuracy of data being submitted.

A contact by a company should encourage the economic development representatives to begin talks. It is imperative to ask as many questions as possible and receive as much detail as possible about the project, including the overall goals and objectives of the facility. The better their understanding of the project, the better will be their response. No company has ever eliminated a community because local representatives asked too many questions.

FIELD INVESTIGATIONS

Based upon the data submitted, all communities contacted will be compared. Preliminary operating costs will be generated for the project at each location. Other factors will be evaluated. In some cases a weighing system may be used. Again the process of elimination takes over.

The company or consultant will screen locations and reduce final eligible candidates to as few as a handful or as many as 10 or 15. An interim report to top management will be made; additional towns may be added, or some of those recommended at this stage may be eliminated.

How many locations remain for field work will depend on the similarities among final locations and how many meet all basic location requirements.

The company will now send the site selection team or the consultant to personally inspect, investigate, and interrogate the final towns and the local leadership. In today's environment as many as four or five separate visits by as many as two or three different site selection teams from the same company is not unusual. Individual visits could last as long as two or three days. Continuity, consistency, informed leadership, and cooperation among community participants are key ingredients that also are evaluated by site seekers during this phase.

Visits take on a very important role for two reasons. Facility location projects themselves have become much more complicated, and greater thoroughness in the field can prevent surprises or preclude disasters. A number of years ago a company would interview only a few major employers locally; today, it will talk with virtually all local employers. The list of factors to cover is much more extensive.

Local participants are more numerous. Frequently, individual interviews are requested with numerous local leaders, local employers, and local service representatives from terminal operators of truck lines to the president of the local community college.

During the community visits, the company will begin the probing process to determine what kinds of incentives, if any, might be available should the facility be located in the community. Local leadership should be prepared to answer this question. If the community leaders have done their homework, they should have a pretty good idea of what the impact of the facility will be on the community. A cost/benefit analysis can help determine what incentive level, if any, should be granted.

Whatever is decided will eventually be known by the community at large, including businesses already in town. Also, a company that talks incentives at this stage of the analysis will be back for more. The two or three finalist locations will be subjected to more intensive negotiation later. Therefore, if incentives are granted, more will be expected later in the process.

RECOMMENDATIONS

As information is received from the field visits, the company or consultant begins the comparative process. Each response to every factor from each team member is compared. Inconsistency and data gaps are identified, clarifications are noted, and problem responses are highlighted.

A matrix begins to be developed. First, very detailed costs for the project are plugged into the computer. Annualized operating costs are shown for each location as if the facility were already located and doing business in each of the finalist locations. Initial or start-up costs are seldom used.

Geographic variations in costs among the finalists are studied from many different approaches, including long-term investment scenarios, paybacks, sensitivity analysis of each factor, and alternative operating scenarios. The numbers are thoroughly analyzed and evaluated.

Similarly, operating conditions and quality-of-life factors are compared. Team members try to reach consensus on the evaluation of each factor for each community.

Once operating costs are finalized for each location, the effects of grants, incentives, and inducements are taken into account. These are treated as separate line items and occasionally deducted directly from operating costs.

Similarly, relocation costs must be taken into consideration. This is especially critical to office or white-collar projects where there are typically a large number of transferees. With average costs of $40,000-plus per transferee, as few as 25 transferees would run this expense to over $1 million.

Even for manufacturing facilities, as many as five or 10 transferees would be common. In addition, there might be machinery and equipment, tools and dies, and other items to be transferred. If the project is a relocation, then obviously relocation expenses become truly significant and a vital part of the decision-making process.

Based upon the various analyses undertaken, the culmination of this step will result in the recommendation of two or three final candidate locations. These will be submitted to top management and may be submitted to the board of directors or the owner of the company if privately held. Once consensus and go-aheads are received, the final step commences.

IMPLEMENTATION

At this point the site selection team will return to the finalist locations to option properties and finalize negotiations. Detailed engineering, legal descriptions, soil tests, and other activities will be required. Negotiations will be quite extensive, typically covering any or all of the items listed below:

- facility financing
- land cost
- infrastructure assistance
- training assistance
- tax abatement
- employee relocation assistance
- reduced utility rates
- improved transportation services

Once these key activities are completed, the company selects the community for the new plant, and necessary announcements, publicity, and groundbreaking ceremonies are carried out jointly with the community leadership.

However, after the announcement there is still much work to be done before actual start-up. In fact, during the final phase, which may last one year or longer, various requests and assistance will be asked of the community. Therefore, many towns will appoint an ombudsman or a single contact person to work with the company during this stage. It is critical because the relationship established during this period will directly influence the company's opinion of the community and vice versa.

EXHIBIT I:
STEPS IN THE SITE SELECTION PROCESS

Formulation of Objectives
Defining Area of Search
Screening Communities
Field Visitations
Recommendations
Implementation

EXHIBIT II:
FORMULATION OF OBJECTIVES

STRATEGY
- Serve New Market Area
- Equalize Competition
- Minimize Production Costs
- Introduce New Manufacturing Techniques

DEFINITION OF THE FACILITY
- Employment Levels and Skill Requirements
- Utility and Fuel Requirements
- Site and Building Requirements
- Supplier and Service Requirements
- Environmental Restraints
- Raw Material Sources and Markets

SUBJECTIVE FACTORS
- Proximity to Major Airport
- Labor Management Climate
- Training Capability of Work Force
- Attitude of Tax Assessor
- Proximity to Interstate Highway
- Local College or University
- Quality of Life Factors

EXHIBIT III:
DEFINING THE AREA OF SEARCH

GEOGRAPHIC ANALYSIS OF THE MARKET
- Present
- Projected in Plant Design Year
- Review Distribution Network
- Determine Outbound Transportation Costs from Numerous Geographically Representative Locations

GEOGRAPHIC ANALYSIS OF SUPPLIERS
- Present
- Potential
- Determining Inbound Transportation Costs from Suppliers to Same Geographically Representative Locations

PRELIMINARY ESTIMATES OF LABOR COSTS DEVELOPED ON SUBREGIONAL BASIS

INTRODUCE KEY SUBJECTIVE FACTORS
- Right-to-Work
- Business Climate
- Distance from Other Company Plants

EXHIBIT IV:
SCREENING COMMUNITIES

OPERATING COST FACTORS
- Labor
- Transportation
- Occupancy
- Utilities
- Taxes

OPERATING CONDITION FACTORS
- Labor Supply
- Labor Management Relations
- State Training Programs
- Transportation Facilities

LIVING CONDITION FACTORS
- Cost of Living
- Recreational and Cultural Facilities
- Educational Facilities
- Housing
- Health Care
- Public Safety

SITE/BUILDING AVAILABILITY

EXHIBIT V:
FIELD VISITATIONS

SITE/BUILDING INSPECTION
- Cost
- Size
- Utilities
- Ownership
- Zoning

COMMUNITY LEADERSHIP INTERVIEWS
- Mayor
- Bankers
- Chamber Officials

LOCAL EMPLOYERS
- Plant Managers
- Personnel Managers

SERVICE REPRESENTATIVE INTERVIEWS
- Motor Carriers
- Railroad
- Electric Utility
- Water and Sewer
- Employment Service
- Medical/Health
- Education
- Assessor

EXHIBIT VI:
RECOMMENDATIONS

IDENTIFY TWO OR THREE FINAL CANDIDATE LOCATIONS
- Balance Operating Costs and Operating Conditions with Quality of Life
- Finalize Cost Numbers after Factoring Grants, Incentives, and Inducements
- Determine Appropriate Relocation Costs
- Show Paybacks for Each Finalist Location

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EXHIBIT VII:
IMPLEMENTATION

BASIC STEPS
- Detailed Engineering/Legal Analysis
- Options
- Approvals and Purchase
- Permitting
- Consultation
- Construction
- Transfer and Hiring of Personnel
- Purchase and Set-Up of Machinery and Equipment
- Production Start-Up

Robert M. Ady is president of the PHH Fantus Corporation, Chicago, Illinois, the world's largest site selection consultants for business and industry. Ady is considered a leading expert in facilities location. PHH Fantus Corporation, founded in 1919, is a consulting firm that deals exclusively with corporate location issues.

COMMUNITY PROFILE QUESTIONNAIRE

City: _____
County: _____
State: _____
MSA:* _____
*(if applicable)

POPULATION—current

City _____ year? ____ County _____ year? ____

EDUCATION

School enrollment (K-12)—Public: _____; Private: _____

Student : Teacher ratio (H.S.) _____

Teacher salaries: Beginning $ _____ /year. Average $ _____ /year

8th Grade grads completing H.S. _____ %
H.S. grads continuing education _____ %

Average composite scores: _____ ACT/SAT (circle); Students taking test: _____ %

Vo-Tec — Name _____ distance _____ miles
Jr. College — Name _____ distance _____ miles
4 yr. College — Name _____ distance _____ miles

REAL ESTATE

Average lease rate for Class A office space: $ _____ /s.f.
Average List price for Industrial Land: $ _____ /acre
Is public sector/industrial foundation land available?
Yes: ___ No: ___ ; Price: $ _____ /acre
If not, will it be available in 3 years? Yes: ___ No: ___ ; Percent markup: ___ %

SERVICES

Closest Hub airport—City name: _____ ; distance _____ miles
Number of flights from hub to:
New York area _____ ; Chicago _____ ; Atlanta _____ ; Dallas _____ ; Los Angeles area _____
Railroads—name: _____ ; distance _____ miles
Number of local commercial truck terminals: _____
Interstate: _____ ; distance _____ miles
ISO Fire Rating for industrial park: _____

PHH Fantus Corporation

EMPLOYMENT

Civilian labor force size: _____ Area this is based upon: _____ radius in miles
Unemployment rate: _____ %; date _____ ; Percent of work force organized _____ %

Typical wages:

Word Processor: _____ per month. Material Handler: _____ per hour
Cust. Service Rep.: _____ per month. Machine Operator: _____ per hour
Secretary: _____ per month. Maint. Electrician: _____ per hour

List Five largest office operations in the area (excluding public sector employers):

Company Name	Business (HQ, Claims, etc.)	Union Name	SIC	Employment Exempt	Employment Non Exempt

List Five largest Public sector employers:

Name of institution/organization	Business	Union Name	SIC	Employment Exempt	Employment Non Exempt

List Ten largest Manufacturing operations in the area:

Company Name	Product	Union Name	SIC	Total Employment	Plant wide Avg. Earnings

List firms which have announced an opening or expansion in the labor market area in the last 2–3 years.

Company Name	Product	Union Name	SIC	Total Employment	Plant wide Avg Earnings

UTILITIES

Electric

Power Company: _____ ; Phone no.: (___) _____

Average annual cost (without tax)

Demand 1000 Kw, 200Mwh per month $ _____ ; Utility Sales Tax: ____ %

Natural Gas

Company: _____ ; Phone no.: (___) _____

Average annual cost (without tax)

2,000 MCF per month—firm $_____ ; Utility Sales Tax: ____ %

Water

Distributor: _____ ; Phone no. (___) _____

Maximum daily capacity: _____ /gpd; Peak daily use: _____ /gpd

Average annual cost (without tax)

500,000 gallons per month $ _____ ; Utility Sales Tax: ____ %

Wastewater Treatment

Sewer Treatment Authority: _____ ; Phone no. (___) _____

Maximum daily capacity: _____ /gpd; Peak daily use: _____ /gpd

Average annual cost (without tax)

500,000 gallons per month $ _____ ; Utility Sales Tax: ____ %

Telephone

Phone Company Name: _____ ; Phone no.: (___) _____

Switching: Mechanical—Yes ___ No ___ ; Electronic (Digital)—Yes ___ No ___ ;

Are fiber optics available?—Yes ___ No ___

PHH Fantus Corporation

GOVERNMENT

Operating fund balance:
1987: $ _____ ; 1988: $ _____ ; Moody's Bond Rating: _____

Taxes—include school and special assessments

	Office (City)	Industrial (City)	Industrial (County)
Real Property			
Legal assessment ratio:	_____	_____	_____
Tax Rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100
Local effective tax rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100
Personal Property			
Legal assessment ratio:	_____	_____	_____
Tax Rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100
Local effective tax rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100
Inventory			
Are taxes paid on: Raw materials—Yes ___ No ___ ; Work in process—Yes ___ No ___ ; Finished goods—Yes ___ No ___			
Legal assessment ratio:	_____	_____	_____
Tax Rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100
Local effective tax rate:	$ _____ /$100	$ _____ /$100	$ _____ /$100

Machinery sales tax: _____ %; Total Sales tax: Local: _____ %; State: _____ %

ECONOMIC DEVELOPMENT

Incentives used locally in the last 5 years:

Reduced land price	Yes: ___ No: ___ ;	Utility extensions	Yes: ___ No: ___ ;
Loan pool	Yes: ___ No: ___ ;	Tax abatement	Yes: ___ No: ___ ;
Enterprise zone	Yes: ___ No: ___ ;	Foreign trade zone	Yes: ___ No: ___ ;
Other	Yes: ___ No: ___ ;		

Economic Development Organization
Type of organization: Public ___ ; Private ___ ; Chamber ___ ; Joint ___ ; Other ___ ;
Staff Size—Professional: _____ ; Clerical: _____ ;
Marketing Budget: $ _____ annual

Pro-active target marketing:

Office	_____ /	_____ /	_____
Industrial	_____ /	_____ /	_____
Warehouse	_____ /	_____ /	_____

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CONTACT

Name: _____

Title: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone Number: ( ) _____

Fax Number: ( ) _____

Date: _____

Please return to: **PHH FANTUS CORPORATION**
75 Main Street
Millburn, NJ 07041
(201) 376-4100
FAX: (201) 376-4325

XIII

INDUSTRIAL RECRUITMENT MYTHS AND PITFALLS

By Rolf Anderson

In 1983, Sperry Corporation, located in Minneapolis, needed additional manufacturing space. We formed a site survey team consisting of the plant manager, the manager of operations, and a member of our corporate real estate department. This team researched cities in all 48 mainland states before narrowing site visits to six states deemed to be most attractive. Ten cities were considered, and the corporation eventually chose a city of 100,000 in the southwestern United States whose economy had fallen on particularly hard times in the early 1980s. The following are observations resulting from this experience by executives of this corporation.

MYTHS

"Economics are not the most important factor to a company relocating or expanding. Other factors such as environment, recreation, cultural attractions, politics, and educational institutions can outweigh a company's economic needs."

Most decisions made are based on economics. A company is concerned about other factors, but all things being equal, it will choose the area most economically attractive. Many times other factors important to a company appear to be based on something other than dollars and cents; nonetheless, these factors, such as transportation, training, political climate, colleges and universities, and attitudes of populace are very important to their bottom line. It is very difficult to convince upper management to commit resources to an area unless the bottom line is right.

"The larger the incentive package, the greater the opportunity a community has in closing a relocation or expansion deal."

This may seem to contradict the previous statements; however, up-front incentives are only one form of economic consideration and should be likened to frosting on the cake. Again, all things being equal among competing elements for a new business, the company will likely go to the location offering the best incentive deal. Bottom-line economics involve much more than up-front incentives such as tax breaks, free training, free utility hookups, site improvements, and the like. More important to a company are the long-lasting incentives: training programs that will improve skill levels and productivity of employees; competitive costs of living and

doing business; availability of the types of workers important to the company from professional to unskilled; proximity to suppliers and customers; transportation costs; service and utility costs; and the long-range economic outlook for the area. Before any discussion of incentives is raised, the community must meet a whole host of profile criteria as stipulated by the interested firm. The other finalist matched the incentive offers made by the city we chose, but we felt that the other factors in our choice weighed more heavily in the winner's favor.

"Confidentiality is of the utmost importance to a company relocating or expanding, and the company should take all measures to assure that no one knows who they are."

Confidentiality is important to a degree—one does not want publicity or solicitations—but it is important that key people in prospective areas know as much as possible about you and your business in order to be responsive to your needs.

"The process of industrial recruitment should be made available to the public at large."

This myth seems to contradict the last myth, except that it is important that site selectors be kept out of the public eye. An expansion by our firm in another city was killed because it made the local paper before the board of directors had approved the project. Our chief executive officer vetoed the expansion to that city on the spot. Other expansions have been killed when an overzealous realtor, developer, or reporter contacted the corporate headquarters or the site-selection team.

"Only large cities can compete for large employers."

Historically this has been true, but during the mid 1980s the location of major employers in rural Colorado demonstrated that smaller communities can lure the big companies. Unfortunately, however, smaller communities are not as likely to be considered by corporate site selectors and must work much harder to be successful. We had no intention of even looking at Pueblo, Colorado, but the attention to detail, quick reaction, and overwhelming evidence of having done some homework, coupled with the excellent package and presentation on very short notice, persuaded us to consider Pueblo further.

"Smaller cities have to compete with the giants for new business."

Smaller cities do not have the resources to satisfy the needs of most major employers. What the smaller community needs to do is conduct an assessment profile of its strengths and weaknesses and then structure its outreach to those targeted industries.

"Professional and government recruiters are more effective than grass-roots teams."

Government does not have the flexibility or latitude that private en-

tities have, and it has too many conflicting political interests to be totally effective. The most credible recruiters are those people who can make binding commitments on the spot for their particular part of the deal and other executives, educators, and citizens who can give testimony to the attractiveness of the community. Professional recruiters and local governments are part of economic development, but for the effort to be successful, the community must be able to react quickly, efficiently, and decisively with little public fanfare.

"Impress the site selection committee, and you've won."

There are many influences behind the scenes in a relocation or expansion— families, upper management, accountants, stockholders, competing cities—that must be satisfied before a commitment will be made. Deals can be lost at the last minute because one of these factions is not convinced. Our deal was almost lost because corporate personnel questioned data we had gathered on the labor market.

"In order to be successful in economic development, you must have a strong research university."

The most important education consideration to a new company is the training for its new first-line employees, whether they are service or assembly workers. While some companies do need research universities nearby, for the most part occupational training through community colleges or vocational schools is number one, followed by baccalaureate colleges and those with terminating master's programs.

PITFALLS

"Assuming that what is important to you or to the last company you dealt with is important to a new prospect."

We had recruiters show us sites that were totally unsuitable for our needs and take us to attractions in their city that did not appeal to us; their score was lowered as a result. A city only has one chance to impress the client, so it must do its homework and do it right the first time.

"Not being able to make an immediate commitment."

Some of the cities we visited did not have the proper people available or could not provide information in a very short time and were lowered on our rating system or deleted entirely. You never know how interested a company is, and the meeting you are in may be your only chance to get all your points across and seal the client.

"Overconfidence."

Economic development is extremely competitive, and your competition will never quit even after an announcement has been made by the company. Our real estate expert on our site selection committee related

a story of an expansion that was to be announced in one city, but on the day of the announcement, a competitor came in with a better offer for training and incentives and won the deal.

"Arrogance."

When we visited some cities, it was obvious that the recruiters thought that we would be crazy to consider any other site and that they were far superior; consequently they did not spend much time preparing their presentation or tours. These cities lost our interest very quickly.

"Not paying attention to detail."

It is extremely important to match the personalities, expertise, and background of community representatives to the site selection teams. We were much more attracted to a city if we were comfortable with the people with whom we were dealing. An assessment of each company's business, its competition, and its personnel is crucial if you hope to develop a package that will meet its requirements and beat your competition. Canned presentations are fine as introductions, but each company is different, even from others in the same industry, and must be treated as such.

"Mixing corporate recruitment with tourism and small business development."

While it is true that these three components do benefit a community's economic posture, industrial recruitment (new job creation) is too important to a community to be shared with tourism, retiree relocations, or existing business expansion. The continued attraction of new primary jobs into a community is its lifeblood and should not be diverted in any other direction.

Rolf Anderson is the director of operations at the Unisys defense plant, located in Pueblo, Colorado. Mr. Anderson has many years of high tech manufacturing experience with the former Sperry Corporation, and now the Unisys Corporation. He is also a member of Colorado's State Board for Community Colleges and Occupational Education System.

SECTION F

SOME PARTING CONCLUSIONS

XIV

PARTING CONCLUSIONS

By Tony Zeiss

It is clear that each business or industry has its unique needs and challenges. Further, these needs and challenges seem to be ever-changing depending upon a variety of factors affecting that business or industry at any given time. As the research (Chapter II) and the contributors to this book indicate, however, a set of common needs and challenges exist for all private businesses. By concentrating upon these commonalities we as a nation can creatively and positively assist private business and make a serious contribution to the economic health of our country.

Virtually every type of business recognizes the need to have well-trained, productive personnel. New and established businesses are constantly looking for broader markets or ways to increase their share of a finite market. All businesses are concerned about increasing governmental regulations and the basic fixed costs of doing business. In the final analysis, private business is concerned with profit incentives and the ability to realize a profit. This fundamental principle of capitalism and free enterprise supports and complements human initiative in the truest sense of the word.

As the world's largest debtor nation, it is obvious that we must return to those elements of our basic economic system that, until a few years ago, propelled us into the world's largest creditor nation. No social system, economic or political, will long survive unless the basic social principles that created it remain basically the same. If we hope to restore the economic vitality this nation once had, we must capitalize upon the current popularity of tying our educational system more closely with our economic system. Further, all elements of our government and private business must do a better job of competing on a global scale. This need for an economic restoration presents some very special opportunities for all levels of our educational system and provides some fantastic economic promises for those communities that take advantage of our current situation.

THOUGHTS FOR OUR EDUCATIONAL SYSTEM

Our K-12 schools should benefit tremendously by developing closer relationships with private business. Clearly, a greater concentration on teaching the basic skills of reading, writing, computation, computer literacy, geography, and the ability to think will ultimately help our economy perhaps more than any other action. Students who graduate from high

school should be expected to have a firm grasp of these basic skills as well as a practical knowledge of how our government and free enterprise systems work. Our four-year schools and universities also have an opportunity to contribute significantly to America's businesses through the production of learned graduates in a multiplicity of disciplines and through advanced research and development. The major opportunity and responsibility for assisting with an economic restoration, however, rest squarely at the doors of our community, technical, and junior colleges.

Two-year colleges, by their nature, are community-based, client-centered, and proactive. This business-like mission is especially suited for assisting private business and industry. Many community colleges have been communicating with business effectively for years. Other colleges have yet to enter this essential and exciting arena. A cursory examination of the basic needs of private businesses indicates that all community, technical, and junior colleges should examine how they can help retain and create new jobs in their community; determine how they can help recruit new jobs to their community; and determine how they can help businesses meet the need for better trained workers, help local businesses expand their markets, and help local businesses become more profitable.

THOUGHTS FOR COMMUNITIES

The closest relationship between business and education will ultimately be eroded if the general public—our communities—do not support the alliance. Our individual communities must also actively support business and industry and must recognize the importance of business-education partnerships. America's communities should also support business directly by encouraging job growth through job retention, expansion, and creation.

It is estimated that 5,000 communities are actively involved in the recruitment of new primary jobs. Yet, only 1,500 businesses are relocating operations or new divisions annually. The industrial recruitment business is extremely competitive. The following advice, primarily gleaned from Chapter V of this book, is provided to those communities who are seeking new primary jobs: examine your strengths; package your product; target your efforts; put your plan into action; and work together as one mind.

THOUGHTS FOR BUSINESSES

One overriding theme appeared throughout this book's research and from the contributing authors: YOU CANNOT DO BUSINESS IN A VACUUM. Certainly it is difficult to take the time to get a larger water hose when you are absorbed in fighting brush fires. However, it would behoove most businesses to become more acquainted with those social entities that

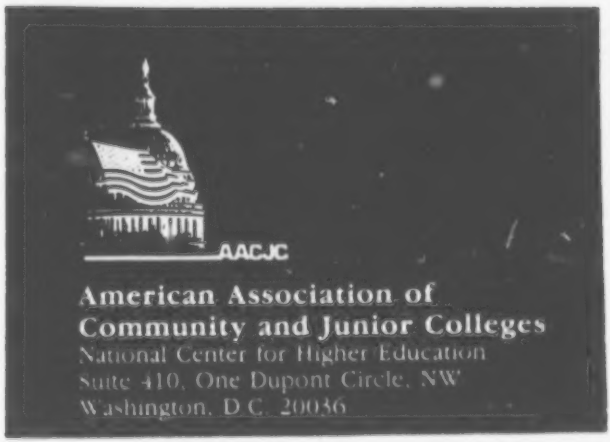
can render valuable and practical assistance. Business and industry should capitalize on the liberal governmental assistance programs like the federal Job Training Partnership Act, state enterprise zone programs, and local tax abatement programs. They should also investigate what services are available through their local community college and/or university, and they should take the time to discover what community resources are available.

Of course, the door should swing in both directions. As businesses begin to use the resources of a community, state, or country, they should look for opportunities to assist those entities that are helping them. It is this type of cooperation, this type of synergism, that will ultimately restore and enhance our overall economic positions locally and globally.

Tony Zeiss is president of Pueblo Community College, Pueblo, Colorado.

About the Editor

Dr. Tony Zeiss is president of Pueblo Community College, which has a main campus in Pueblo, Colorado, and extension campuses in Canon City, Cortez, and Durango, Colorado. Zeiss developed Colorado's first client-centered small business development center and has become a leading educational figure in economic development, especially in industrial recruitment. His college's successes in economic development have been featured in *Forbes*, *Colorado Business Magazine*, *The Rotarian*, and a host of regional and national publications. Zeiss is an active economic development consultant for community colleges.



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American Association of Community and Junior Colleges
National Center for Higher Education
Suite 410, One Dupont Circle, NW
Washington, D.C. 20036

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